building communities, every day.

Municipal Finance Authority of British Columbia

2001 annual report

sunday, 9am

Green fields, a firm footing.

The MFA raises money in bond markets

to make your community a better

place to live. And play.

102-03937/

The Municipal Finance Authority of B.C. is working every day in your community. You may not see us on the streets, or in your home. But every day, you probably make use of something in your community that we had a hand in building.

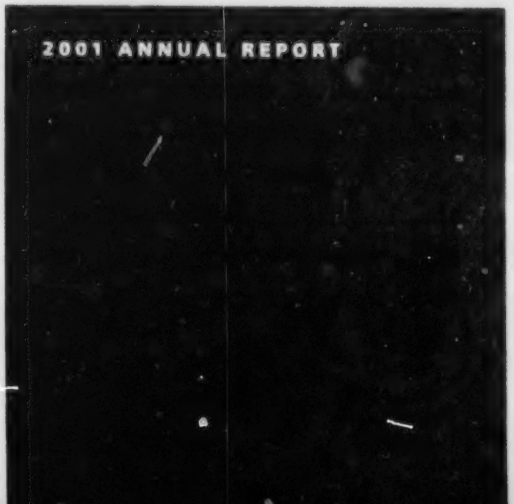
Whether it's clean water from your kitchen faucet, a new playground where your children spend a Saturday afternoon, or the road you take to work, more than likely we helped make it possible.

How did we help? By providing financial services to B.C. communities in much the same way that a credit union does. The MFA was established in 1970 because it made economic sense for individual municipalities and regional districts to borrow together as a group and to guarantee each other's credit.

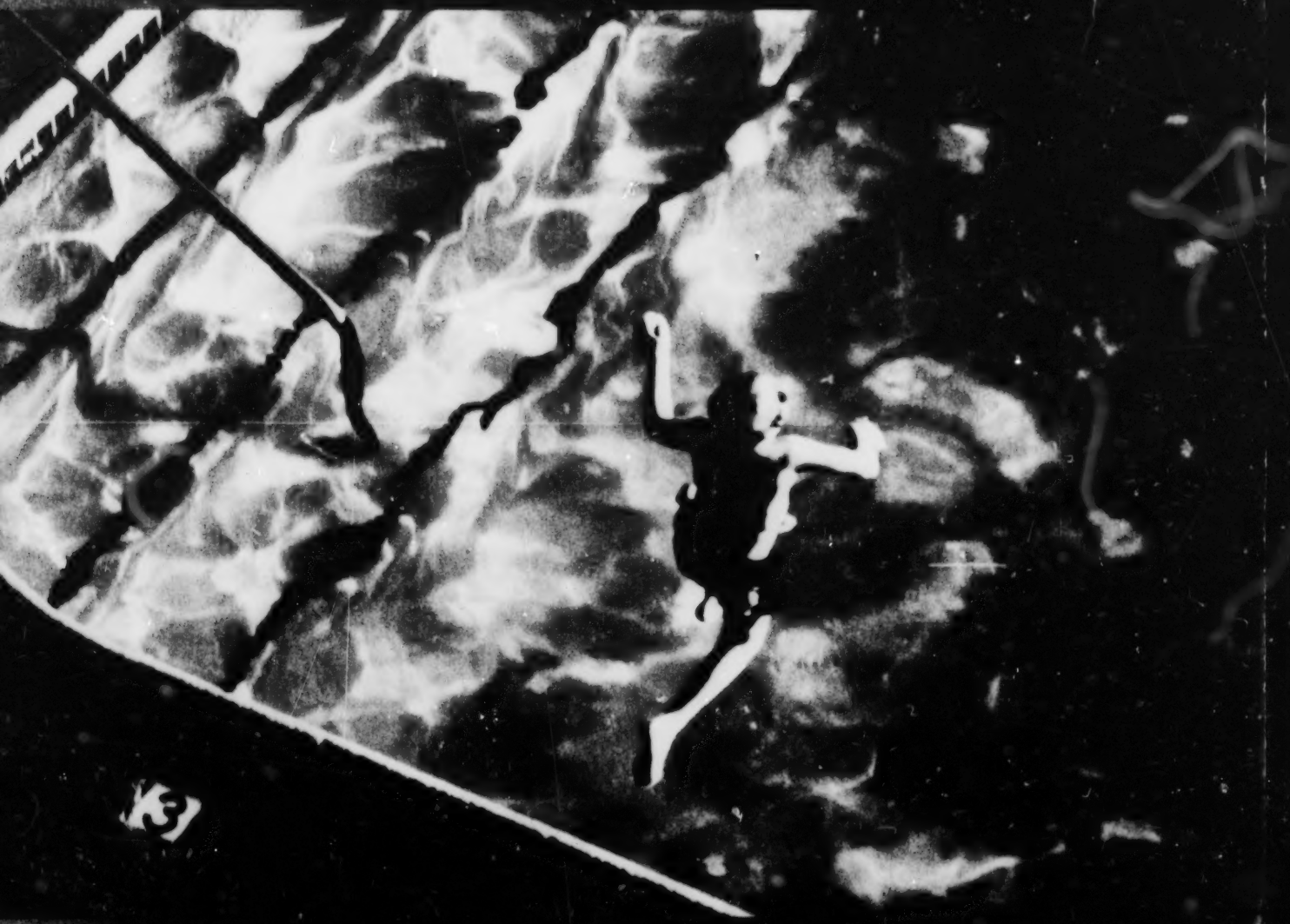
By acting together we realized two important financial benefits. We kept interest rates low by borrowing larger amounts of money. And prudent fiscal management by both the MFA and B.C.'s communities resulted in a credit rating of AAA that enables the MFA to borrow as much as it needs, whenever it's needed.

It was a simple idea, and it worked.

We've saved B.C. taxpayers millions of dollars and funded hundreds of worthwhile projects that have made our communities better places in which to live.



monday, 4pm



Pure abundant water: the lifeblood of a community. Municipal water systems throughout B.C. have been funded by the MFA.

A message from the chair

It is my pleasure to present this annual report for the year 2001. For the Municipal Finance Authority, 2001 was a year marked by rapidly changing capital markets, the retirement of longstanding executive director Jim Craven and the ongoing evolution of our services.

Every organization faces change each year. And while not all the changes that we faced were predictable, we were more than ready to deal with them. We were prepared.

Thanks to sound planning and prudent financial management, we successfully dealt with all the changes that we faced last year. As a result, we are well positioned to continue to help our clients build their communities.

CONSERVATIVE FINANCIAL MANAGEMENT BENEFITS CLIENTS

The benefits of our AAA credit rating were readily apparent throughout 2001. The events of September adversely affected everyone's ability to raise money. Fortunately, the MFA was able to effectively deal with these market conditions by judiciously safeguarding its credit rating.

Standard & Poor's and Moody's Investors Service's AAA credit rating is the highest level attainable by any debt issuer and one that is widely recognized by the global financial community. We earned it because of our strong liquidity position, a 30-year history of prudent lending operations and the sound legislative framework that protects investor interests.

Of all the things that we do for our communities, protecting this rating is by far the most important. It is the key to our ability to provide ready, cost-effective access to capital for MFA clients. The events of last year proved the value of our conservative financial management.

MFA PROGRAMS INCREASINGLY POPULAR

Last year was another busy one for us in the bond markets as we raised a total of $372 million in three debenture issues.

In April 2001, we launched a new $202 million issue at a time when there was little market interest in government bonds. However, our credit rating and efficient execution enabled us to sell-out the issue in less than 30 minutes.

In October, we faced highly volatile global bond markets when we were about to complete a $121 million issue. Using market conditions to our favour, we split the issue into a $100-million reopening of the spring 2001 issue and a $21-million reopening of our 1996 issue, resulting in a lower lending rate to our clients. The spring 2001 issue was reopened to increase its size and make it more tradable on the secondary bond market, a benefit to the buyers of our bonds. The 1996 issue was reopened to take advantage of much lower short-term interest rates.

In response to the special needs of the City of Kelowna, we successfully tapped bond markets again in October with a $49.3 million private placement.

Our pooled investment program continues to garner strong support from clients that utilize this optional program to manage

> "Our AAA credit rating is the key to our ability to provide ready, cost-effective access to capital for MFA clients."

> "Users received a record-high dividend totalling $350,000 in 2001."

their surplus funds. The program started the year with a base of about $750 million; by July it grew to a record high of $1.27 billion. Normally, we expect these funds to be drawn down by municipalities in the fall of each year. However, we are pleased to report that last year the fund has remained above $1 billion.

Our interim financing and leasing programs remain popular and effective – the leasing program has grown to over $50 million since its inception in 1996 and the interim financing now totals $210 million. Because these programs are voluntary, we have worked hard to ensure that they offer competitive terms. Both programs offer very low rates and flexibility, allowing users to move in and out of contracts in one day without penalty.

ACTIVE MONEY MANAGEMENT PAYS OFF

In a year of uncertainty, the pooled investment program has provided our clients with a source of well managed funds with excellent returns. In recognition of the growing support participants have given this optional program, users received record-high dividends totalling $350,000 in 2001. Cumulative dividends paid since 1992 now total $2.27 million.

Active management of over $1.3 billion in sinking funds has again produced impressive returns. In 2001, after several years of adept investing, we were able to return $39 million in cash surplus repayments to participants. As well, we were able to advise participants that they no longer needed to make payments on $27 million in debt obligations, as current sinking fund investments will be sufficient to cover payments until maturity. This $66 million savings would otherwise have come directly from B.C. communities.

HELPING COMMUNITIES HELP THEMSELVES

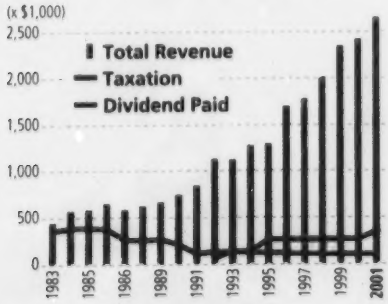
The MFA has helped build B.C. communities by providing more than just money. Increasingly, clients are turning to us for information and ideas. By helping clients to solve individual problems and meet the challenges they face, we have built much stronger working relationships with B.C. communities.

This evolving role has challenged the MFA, but it has also been very rewarding. Last year, our consulting services helped local governments re-evaluate debt, and make improvements on rates and debt repayment schedules.

To address the impact of declining municipal tax bases from the loss of primary industries and other critical issues, we will be conducting a series of community workshops. These workshops will be used to explore alternative ways of doing business and solving financial problems. They will enable community leaders to learn from those who have successfully dealt with difficult economic situations and to build resources that can be drawn on to maintain their economic and cultural well-being.

Our web site continues to be well used by our clients and individuals seeking information about the MFA. In 2002, we plan to expand content and introduce more online services with the development of an Intranet for clients.

MFA OPERATING REVENUES



SINKING FUND YIELDS - 2001
as of Dec. 31, 2001

Weighted Average Yield	
Statutory Sinking Fund	**5.762%**
Capital Repayment Equalization Fund	**6.668%**
Debt Reserve Fund	**6.890%**
Utilities	**5.831%**
TransLink	**6.594%**
Regional Hospital Districts	**6.677%**

Our annual Financial Forum is another way for the MFA to assist communities. Each year we offer a one day forum for clients that provides networking and education opportunities to enable local communities to improve financial management and keep abreast of current issues.

The Len Traboulay Education Fund was started in 1999 to provide financial assistance to post-secondary educational institutions offering local government education programs. It also helps elected and appointed officials interested in pursuing government education opportunities. I would like to thank Phillips, Hager & North Investment Management and CIBC Mellon Global Securities for their contributions last year.

In 2001, the fund distributed over $24,000. To enable more individuals access to education, the fund focused on bringing programs into all areas of the province, particularly the North and the Kootenays.

A MODEL OF SUCCESS

The MFA's simple, collective business model continues to garner worldwide interest. During the year, both Jim Craven and Steve Berna were invited to international conferences to share their experience and knowledge with others interested in duplicating our successful structure.

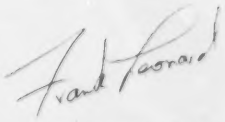
We were also active with domestic consulting assignments last year, helping a number of organizations to establish and manage collective borrowing agencies modelled after the MFA.

A SPECIAL THANK YOU

People are often surprised to learn that the MFA is able to efficiently run its operations with a staff of only eight. I am not. We have a team of dedicated, hard-working employees who day in and day out consistently meet or exceed the needs of our clients. Their performance is augmented by a board of trustees and members of the authority also committed to our success. My thanks to each and every one for a job well done, once again.

On January 1, 2002, Jim Craven, executive director of the MFA since 1984, began a planned, well-earned retirement. Prior to his retirement, Jim implemented a succession and cross-training program to ensure the ongoing success of the MFA. Steve Berna, formerly director of finance and an employee since 1991, is our new executive director and the board's unanimous choice for the position. To assist in a smooth transition Jim will continue to work with us as a consultant for at least one year.

While the success of the MFA has been very much a team effort, Jim's vision, guidance and hard work has enabled us to build a successful organization that has made its mark on the global community. Thank you and good luck Jim, your efforts are sincerely appreciated.



FRANK LEONARD
Chair, Municipal Finance Authority of British Columbia

INVESTMENT POOL RETURNS
as of Dec. 31, 2001

Annual Rate of Return	One Year	Since Inception
BOND FUND		
Municipal Finance Authority*	**9.16%**	**9.13%**
SCM** Short Term Index	9.37%	8.89%
INTERMEDIATE FUND		
Municipal Finance Authority*	**7.06%**	**6.10%**
SCM** 360-Day T-Bill Index	7.03%	5.89%
MONEY MARKET FUND		
Municipal Finance Authority*	**4.51%**	**6.56%**
SCM** blended 30/91-Day T-Bill Index	4.59%	6.43%

*After fees. **Scotia Capital Markets

"The MFA's simple, collective business model continues to garner worldwide interest."

tuesday, 8:30pm

Want to dance all night?

The MFA funds construction

of community centres for

kids of all ages.

2001 Project Highlights

Each year, the MFA helps fund a wide variety of projects for local governments throughout British Columbia, either as the primary lender or in partnership with others. From swimming pools to fire engines to libraries, we have bankrolled hundreds of worthwhile projects that have made our province a better place to live.

Wherever possible we take a creative, flexible approach to project funding to meet the diverse needs of the province's communities. And to help build communities, every day.

A UNIQUE FUNDING MODEL

Okanagan Kokanees Gymnastics Club Building

The Okanagan Kokanees Gymnastics Club once had a problem: they had long rented a Kelowna facility but the club only received minor funding. To solve the problem, the club partnered with the city, which paid 50% of the cost of a new $2.2-million building. The MFA raised $500,000 in funding for Kelowna. This will be repaid by the club over the next 20 years.

Since its completion in November 2001, enrolment in the gymnastics club has risen by 30%, an increase directly attributed to the quality of the facility. The new building has also generated significant community interest from individuals wishing to rent the space for special events.

This is one of several community partnerships that the City of Kelowna has become involved in over the past few years. The project generated interest from across B.C. and Canada. Sport BC, which is interested in the funding model and using the facility for competitions, awarded the club president Sport BC's Kaizen Award for innovative partnerships.

A COMMUNITY EFFORT

Agassiz Library

In 1997, the Agassiz branch of the Fraser Valley Regional Library realized that they were running out of room for books and people. A new facility was envisioned to meet growing demand and provide service closer to users in the District of Kent, Harrison Hot Springs and surrounding area. It was also hoped that the new library would attract more people to downtown Agassiz.

While the MFA raised approximately 50 percent of the project's $808,000 cost, the entire community pitched in to make this project happen.

The Agassiz Library Society raised approximately $50,000 for furnishings by creating a unique quilt signed by Canadian authors. The society also approached local groups for support – the Lions Club chipped in $20,000, the largest single donation. The library's children's section was dedicated to the Lions.

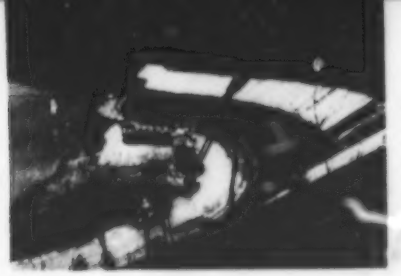
In exchange for a 40-year lease of school district property, the local district provided property improvements. The project also received a provincial grant of $100,000 and a donation from the Village of Harrison Hot Springs for $22,500.

The library opened on April 3, 2001. Usage has since exceeded all expectations and compared to before the new library opened, circulation has increased as much as 56 percent, while monthly user traffic has climbed more than 65 percent.

Photo Harry Brust

The Okanagan Kokanees Gymnastics Club building, Kelowna

The new Agassiz branch of the Fraser Valley Regional Library



Seepage control project, Cleveland Dam, North Vancouver

> "Many community partners and volunteers helped to make this project a success."

MAINTAINING A SAFE, RELIABLE WATER SUPPLY

Cleveland Dam

The Cleveland Dam is located in North Vancouver, B.C. and impounds Capilano Lake, one of three reservoirs that provide drinking water for the Greater Vancouver Regional District (GVRD).

Since the dam was built in the mid-1950s, seepage has occurred through the east abutment. To improve the safety of the dam and to ensure the safe and reliable supply of drinking water for the GVRD, the Seepage Control Project was started in the spring of 2001. The project had a capital cost of $21.4 million and was 100% funded by the MFA.

The project has many technical and social challenges. It is being completed within a drinking supply watershed, requiring close environmental measures and monitoring, and it is adjacent to a residential community. In addition, the reservoir's water level was reduced during construction requiring that it be taken off-line until the late spring of 2002.

An advisory committee comprised of local citizens was established to address citizens' concerns and questions during the design and construction phases. This committee was extremely effective and fruitful for all parties.

Special construction techniques were needed to maintain a tight schedule that will allow the project to be completed within a one-year period. Work involves extending an existing clay blanket by constructing a shallow wall and a concrete blanket to further reduce seepage through the abutment.

A VISION REALIZED

Langford Veterans' Park

A few years ago, the District of Langford had a vision for a civic plaza for their downtown. That vision has been realized with the completion of Veterans' Park, an open recreational space in the heart of Langford.

The park comprises approximately three-quarters of an acre and includes green recreational space for tots and teenagers and a war memorial. It is the new home of the West Shore Cenotaph and will be used annually by the Royal Canadian Legion for annual Remembrance Day ceremonies.

The most unusual aspect of this project is the new memorial which is a one-tenth replica of the Canadian War Memorial at Vimy Ridge. This is the only replica of the Vimy Ridge memorial and actually has a piece of the original monument embedded in its structure.

Many community partners and volunteers helped to make this project a success, the largest being the Royal Canadian Legion. The project was completed in the fall of 2001 at a cost of approximately $450,000, of which $420,000 was borrowed from the MFA.

The District of Langford has received many comments on Veterans' Park since its completion. "It makes us very proud to be members of the Royal Canadian Legion. Not only is it worthy of our serving members, but it makes you want to become involved with the Legion."

Photo: Arnn's Inland Photography

Memorial in the new Veterans' Park, District of Langford

FINANCIAL FORUM

Every year, the MFA holds a forum for its clients to discuss current financial issues and listen to expert speakers. The forum's goal is to give people more information about alternative public management strategies and practices.

The 2001 forum covered two topics: amalgamation and privatization. With local government constantly seeking alternative ways to deliver services, as well as trying to cut costs, both sessions proved to be very popular. More than 250 people attended the event.

The amalgamation session looked at experiences from Atlantic Canada, Quebec and Manitoba. It also provided an analysis of the financial impact on Halifax before and after its amalgamation. Speaker Sam Olivito from the California Contract Cities Association presented a unique alternative to amalgamation. David Barber from the Cordillera Institute, Ontario, ended the session with a look at whether amalgamation promoted excellence in local government.

Our banking syndicate presented the session on privatization. Because privatization is a much debated issue, the syndicate first gave examples from B.C. communities, providing valuable 'at home' experiences for the audience. Participants also learned what was happening in other parts of Canada and internationally. The session closed on a practical note: how to get it done.

INTERNATIONAL CONSULTING

The MFA model and our consulting services continue to be frequently sought by government agencies in search of ways to reduce borrowing costs and increase access to capital.

In 2001, we again consulted to the First Nations Finance Authority (FNFA) on an MFA-based model and assisted them in developing their proposed legislation. The MFA helped them determine the requirements they will need to acquire a credit rating. During the year, we advised the North American Aboriginal Pipeline Corporation, a company formed to participate in the development of the proposed Mackenzie Valley natural gas pipeline. We consulted with the Ontario Catholic School Board on our collective borrowing program; they subsequently sold a collective bond issue.

We were active internationally, sharing with numerous groups the merits of our simple, collective structure.

In June, Jim Craven was a keynote speaker at the World Bank's Financing Municipalities and Subnational Governments international conference in Washington, DC. Jim presented a session on the structure and merits of the MFA model. During the year, Jim also travelled to Brazil where he spoke with local government officials.

In July, Steve Berna travelled to Korea for the 13th Annual PACAP/FMA Finance Conference to speak to municipal officials from the Asia-Pacific region about the MFA model.

"From swimming pools to fire engines to libraries, we have bankrolled hundreds of worthwhile projects that have made our province a better place to live."

wednesday, 11:30am

Building communities from the ground up.

Financing from the MFA has been used

to build town halls and lease all types

of office equipment.

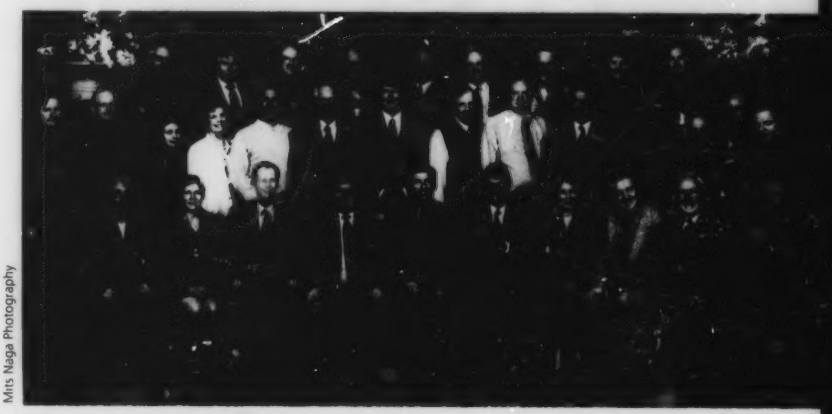
MFA members 2001

The Municipal Finance Authority is comprised of 35 appointed members representing each of British Columbia's 27 regional districts. Some regional districts are entitled to appoint more than one member based on larger populations. The members of the MFA meet twice each year, once at the Annual General Meeting in March and again in September or October.

MFA members in turn elect 10 trustees at the Annual General Meeting. The board of trustees is comprised of a chair, vice chair and eight trustees. Of the 10 trustees, four must be from the Greater Vancouver Regional District, one from the Capital Regional District and five from the remaining regional districts. The trustees work closely with staff year-round to determine the policies that guide the MFA's operations.

REGIONAL DISTRICT	MEMBER
Alberni-Clayoquot	Mike Kokura
Bulkley-Nechako	Tom Euverman
Capital	Frank Leonard (Chair)
Capital	Don Amos
Cariboo	Greg Sehn
Central Coast	Graem Wells
Central Kootenay	John Voykin
Central Okanagan	Robert Hobson*
Columbia Shuswap	Rhona Martin
Comox-Strathcona	Dot Andrews
Cowichan Valley	Michael Coleman*
East Kootenay	Jim Ogilvie
Fraser-Fort George	Colin Kinsley (Vice-Chair)
Fraser Valley	Terry Raymond
Greater Vancouver	Doug Drummond
Greater Vancouver	Victor Durman*
Greater Vancouver	Marlene Grinnell
Greater Vancouver	Jon Kingsbury
Greater Vancouver	Kiichi Kumagai*
Greater Vancouver	Barbara Sharp
Greater Vancouver	Helen Sparkes*
Greater Vancouver	Hardy Staub*
Kitimat-Stikine	Jack Talstra
Kootenay Boundary	Bill Baird
Mount Waddington	Gerry Furney*
Nanaimo	Joe Stanhope
North Okanagan	Jerry Oglow
Northern Rockies	Jack Sime
Okanagan-Similkameen	Dan Ashton
Peace River	Bill Hendley
Powell River	Hector Beauchesne
Skeena-Queen Charlotte	Don Scott
Squamish-Lillooet	Susan Gimse
Sunshine Coast	Don Murray
Thompson-Nicola	John Ranta*

**Trustee*



Mits Naga Photography

AUDITOR
KPMG LLP, Victoria, B.C.

SOLICITORS
Bond and General Counsel
Bryant & Company, Victoria, B.C.

ALTERNATE BOND COUNSEL
Farris, Vaughan, Wills & Murphy
Vancouver, B.C.

OFFICERS

Executive Director	Steve Berna
Director of Finance	Graham Egan
Director of Corporate Services	Barb Gordon

thursday, 4:15pm

You're in good hands. B.C. hospitals receive funding from the MFA for new construction and medical equipment.

An effective, well-organized team

Our staff prides itself in its ability to provide seamless service to our clients. In addition to specific responsibilities for MFA programs and operations, each staff member receives extensive cross-training to become familiar with every aspect of our organization. Got a question? Need more information? We have the answers. Please contact us at 250-383-1181 or the e-mail addresses below.

STEVE BERNA, C.A.
steve@mfa.bc.ca
Executive Director

Steve works closely with the MFA's board of trustees to establish programs, new financial products and services and oversees the MFA's operations. His main responsibilities focus on the areas of capital financing and debt restructuring, and building strong working relationships with MFA clients and its underwriting syndicate. Steve is also the voice of the MFA at international conferences. He is a board member of the Government Finance Officers Association of B.C. and the Len Traboulay Education Fund.

ALLISON BOYD
allison@mfa.bc.ca
Administrative Assistant

Allison's broad knowledge of all MFA programs enables her to efficiently help our clients make the most of our services. She works closely with the directors, assisting them in all aspects of their work and arranges travel and presentation materials for our staff. She is also responsible for developing and maintaining our web site.

GRAHAM EGAN, C.A.
graham@mfa.bc.ca
Director of Finance

Graham is responsible for the overall management of investments and debt issues, as well as the projection of sinking fund surpluses, stop payments and future debts costs. Graham also supervises the accounting department and preparation of our annual financial statements.

MARGUERITE FENSKE
marguerite@mfa.bc.ca
Accounting Clerk

Marguerite runs our Interim Financing program and oversees the Investment Pool program. She is responsible for long-term debt issue invoicing and coordinates the maintenance of our computer systems.

BARB GORDON, B.COMM.
barb@mfa.bc.ca
Director of Corporate Services

Barb is responsible for the administration of all bond issues, MFA member activities, board of trustees and our underwriting syndicate. She develops all of our presentations, annual report, brochures and any marketing material. Barb works closely with directors to develop administrative policies and guidelines. Barb is a member of the Len Traboulay Education Fund committee.

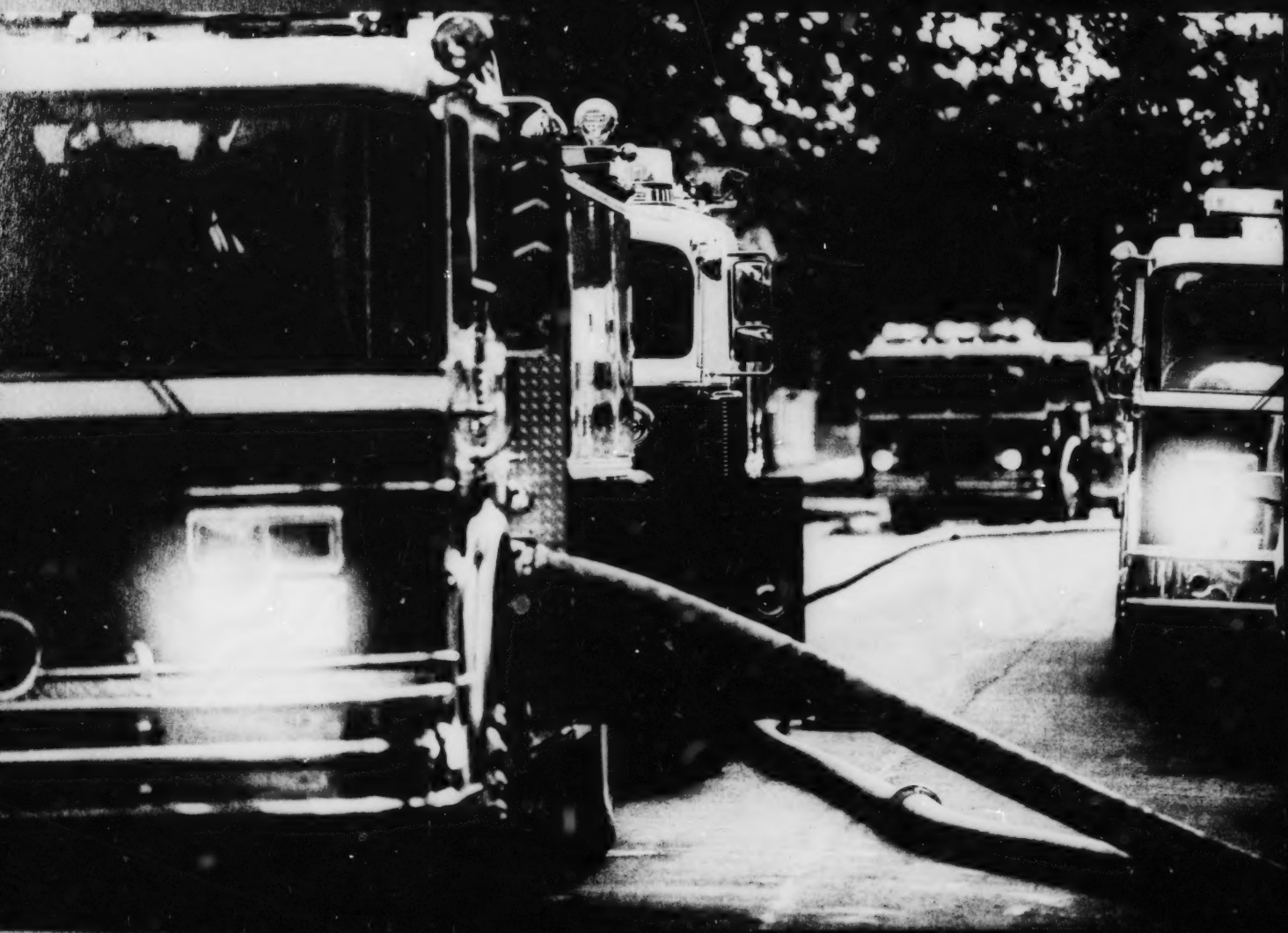
SHELLEY HAHN
shelley@mfa.bc.ca
Manager of Accounting

Shelley is our internal accountant, overseeing the day-to-day accounting for all of our programs. She prepares all our monthly statements as well as annual financial statements and client's debt schedules. Shelley also administers our debt reserve fund.

JANE MORRISON
jane@mfa.bc.ca
Accounting Clerk

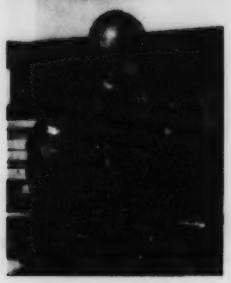
Jane joined the MFA in August 2001 and is responsible for the administration of our leasing program. She also performs all internal accounting for our operating fund, including accounts payable and our yearly tax levy.

friday, 2:00pm



A quick response when you need it most.

MFA funding and leasing has been used to build firehalls and to buy safety and rescue equipment.



Reflections on remarkable growth

During the last 17 years, the MFA passed through an important and historic cycle. In 1984, its sole function was the twice-yearly debt issue of around $50 million and its management.

During the early eighties, inflation produced annual operating cost increases which could no longer be sustained by an assessment base hammered by falling property values. In response to that threatening situation the MFA's trustees combined forces with a hard working staff, greatly expanding the financial services offered to clients.

First came the pooled investment program in 1989. Tailored to fit the requirements of small- to medium-sized communities, it offered benchmarked, safely diversified and highly liquid investment alternatives. With the help of an excellent contract fund manager, the pool grew to $900 million in just four years and has since crested at over $1.2 billion in 2001. In addition to the convenience it offers clients, the fund provides the MFA with annual operating revenue in excess of $500 thousand.

This product provided a template for other ideas and by the 1990s we had entered the area of pooled leasing, interim financing and consulting to municipalities in Ontario, Manitoba, Quebec and First Nations.

Also in the 1990s, we negotiated agreements to finance all big ticket capital expenditures of the Lower Mainland, as well as transit and hospitals. As a result, we now are responsible for raising up to $400 million annually.

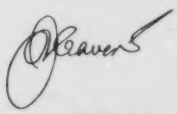
Economies of scale have now been achieved and our administrative cost charged to an issue is only 15/100ths of one percent. An independent study indicates our cost of funds is one-half percent lower than the Government of Canada, due to better market timing of our issues.

It has been gratifying to build a highly effective team around this growing list of sophisticated services. We now offer our clients a full service bank at competitive prices, which makes more money every year than it consumes. The MFA has declared an accumulated dividend of $2.27 million since 1992 and has been able to significantly contribute to municipal education every year.

The trustees and chairmen over the years have been conservative fiscally and revolutionary in nature – they have fearlessly stepped up to the firing line every time we made another substantial change to our operation.

Part of my role recently has been to step back and enjoy the remarkable growth and maturing process which has taken place in every member of the staff over the last 10 years. They responded with hard work and skill to all of these initiatives and deserve a generous portion of credit for our success.

I would also like to thank all our collaborators – chairmen, trustees, members, private sector partners and B.C municipalities for making my job so easy. I wish all of you, especially my friend and colleague Steve Berna, great success.



JIM CRAVEN
Past Executive Director,
Municipal Finance Authority of British Columbia

Steve Berna appointment

On January 1, 2002, Steve Berna became executive director of the MFA. A respected and integral member of the MFA team for a decade, Steve was the trustee's unanimous choice to succeed Jim Craven. He was previously director of finance and is a chartered accountant.

saturday, 7:30am

Long walks with good friends.

The MFA funds the construction of

trails, walkways, parks and wharves.

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Financial Summary

THOUSANDS OF DOLLARS

AT DECEMBER 31	2001	2000
CAPITAL FINANCING		
Total assets – combined funds	**4,309,203**	4,135,835
Loans to Clients outstanding	**2,832,474**	2,714,849
Long-term debt outstanding	**3,385,891**	3,235,022
Investments, including sinking funds	**1,149,979**	1,069,954
Long-term debt, net of investments	**2,235,912**	2,165,068
Debt Reserve Fund, total assets	**258,187**	270,090
YEAR ENDED DECEMBER 31		
New loans to Clients	**373,043**	242,473
Loan repayments from Clients	**248,542**	226,081
New debt issued	**372,300**	286,122
Debt retired	**230,591**	188,675
Investment income	**89,121**	69,317
Interest paid	**241,139**	251,761
POOLED INVESTMENTS		
Money Market Fund – Unitholders' Equity	**679,926**	555,773
Intermediate Fund – Unitholders' Equity	**167,120**	71,020
Bond Fund – Unitholders' Equity	**171,985**	122,294
INTERIM FINANCING AND LEASING FUNDS		
Loans outstanding	**263,522**	147,265

Investor Highlights

2001 DEBENTURE ISSUES

Three new debenture issues were launched in 2001 raising a total of $372 million.

- **April 2001** – $202 million at 5.90% due June 1, 2011 debenture. This issue was re-opened twice during the year bringing the total issue size to $332 million, and continuing the MFA's practice of adding liquidity to issues to benefit investors.
- **October 2001** – $121 million. This issue was comprised of a $100-million re-opening of the spring 2001 issue and a $21-million reopening of our 7.25% September 25 1996 issue.
- **October 2001** – $49.3 million private placement in response to the special needs of the City of Kelowna. This issue involved re-opening our spring issue for a further $29.8 million, and a $19.5 million 1 year debenture.

PROJECTED BORROWINGS

In keeping with our practice of maximizing liquidity for the benefit of MFA investors, we anticipate that our spring 2002 debenture will re-open the 5.90% June 1, 2011 issue.

Projected Borrowings	
2002	$202 million
2003	$292 million
2004	$304 million
2005	$470 million

PILLARS OF OUR "AAA" CREDIT RATING

The MFA has earned a AAA credit rating from both Standard & Poor's and Moody's Investors Service, the highest level attainable by any debt issuer. Our credit rating is built on pillars of responsible legislation and judicious financial management:

- **Prudent Borrowing Powers** – Each MFA client is governed by a borrowing power calculation that sets a ceiling on debt capacity.
- **Balanced Budgets** – Municipalities and regional districts are required to be fiscally responsible by maintaining balanced budgets.
- **Self-liquidating Projects** – The Inspector of Municipalities reviews and approves all sewer and water bylaws to ensure that they are self-liquidating.
- **Healthy Local Governments** – Ministry of Community, Aboriginal and Women's Services tracks statistics on the health of each local government, and reviews these statistics and other information prior to approving the borrowing bylaws.
- **Strong Reserve Fund** – The MFA's debt reserve fund is used as the first line of defence in case of any default on repayments by its clients. No defaults have ever occurred.
- **Extended Protection** – In addition, the MFA has a $350 million line of credit at its disposal.
- **Excellent Debt Coverage** – Municipal Reserves and Surpluses exceed their Net Debt by a ratio of 1.5 times.
- **Taxing Powers** – Without needing approval from any other level of government, the MFA can impose a tax on virtually all the land and improvements in the province.

DEBT ANALYSIS AT DECEMBER 31, 2001:
THOUSANDS OF DOLLARS

Long-term debt outstanding	$3,385,891
Investments, including sinking funds	1,149,979
Long-term debt, net of investments	2,235,912
Municipal Reserves and Surpluses	2,952,298
Debt Reserve Fund	258,187

PLANNED COMMERCIAL PAPER PROGRAM

Our leasing and interim financing programs have grown and matured to the point where we are now able to reliably predict yearly minimum balances. This minimum balance, $100 to $150 million, will be borrowed through a new commercial paper program. The amount above this minimum balance will continue to be funded through the line of credit which is cancellable without penalty on one day's notice.

Since the leasing and interim financing programs are currently funded through a line of credit at banker's acceptance rate plus 25 basis points, it now makes economic sense to consider using commercial paper rather than bank financing. A commercial paper program will enable us to borrow at lower rates and pass the savings on directly to MFA clients.

We are having preliminary discussions with the appropriate rating agencies in anticipation of acquiring the short-term rating we would require for this commercial paper program.

From regional districts to municipalities to first nations to regional libraries, the Municipal Finance Authority is helping to build local communities across British Columbia. All in all, more than 270 groups participate in at least one of our three voluntary programs: Pooled Investments, Interim Financing or Leasing.

In addition to being able to finance capital projects at low interest rates, participants receive dividends from our Pooled Investment Program, save money on short-term borrowing, and lease equipment or rolling stock at very competitive rates.

PARTICIPATION IN MFA PROGRAMS

PI = POOLED INVESTMENTS
IF = INTERIM FINANCING
LE = LEASING
✓ = yes = "in it"
• = no = "not in it"
n/a = not applicable or not available

Regional Districts:	PI	IF	LE
Alberni-Clayoquot	•	•	✓
Bulkley-Nechako	✓	✓	•
Capital	✓	✓	✓
Cariboo	✓	•	✓
Central Kootenay	✓	•	✓
Central Okanagan	✓	•	✓
Columbia Shuswap	✓	•	•
Comox-Strathcona	•	•	✓
Cowichan Valley	✓	•	✓
East Kootenay	✓	•	•
Fraser-Fort George	✓	•	✓
Fraser Valley	•	•	✓
Greater Vancouver	•	•	✓
Kitimat-Stikine	✓	•	✓
Kootenay Boundary	✓	✓	✓
Mt. Waddington	✓	✓	✓
Nanaimo	✓	•	✓
Northern Rockies	✓	•	✓
North Okanagan	✓	•	✓
Okanagan-Similkameen	✓	✓	✓
Peace River	✓	•	✓
Powell River	•	•	✓
Skeena-Queen Charlotte	✓	•	✓
Squamish-Lillooet	✓	•	✓
Sunshine Coast	✓	•	✓
Thompson-Nicola	✓	•	✓

Municipalities:	PI	IF	LE
100 Mile House	✓	•	✓
Abbotsford	✓	✓	•
Alert Bay	✓	✓	✓
Anmore	✓	•	•
Armstrong	✓	✓	✓
Ashcroft	✓	✓	✓
Belcarra	✓	•	•
Bowen Island	✓	•	✓
Burnaby	✓	•	•
Burns Lake	✓	•	✓
Cache Creek	✓	•	•
Campbell River	✓	•	✓
Castlegar	✓	•	•
Central Saanich	✓	•	•
Chase	✓	•	✓
Chetwynd	✓	•	✓
Chilliwack	✓	•	•
Clinton	✓	•	✓
Coldstream	✓	•	✓
Colwood	✓	•	✓
Comox	✓	•	✓
Coquitlam	✓	•	•
Courtenay	✓	•	✓
Cranbrook	✓	•	•
Creston	✓	•	✓
Cumberland	✓	✓	✓
Dawson Creek	✓	•	✓
Delta	•	•	✓
Duncan	✓	✓	✓
Elkford	✓	•	•
Enderby	✓	•	•
Esquimalt	✓	✓	•
Fernie	✓	•	✓
Fort St. James	•	•	✓
Fort St. John	✓	✓	✓
Fruitvale	•	•	✓
Gibsons	✓	•	•
Golden	✓	✓	•
Gold River	✓	•	✓
Grand Forks	•	•	✓
Granisle	✓	•	•
Greenwood	✓	•	✓
Harrison Hot Springs	•	•	✓
Hazelton	✓	•	•
Highlands	✓	•	✓
Hope	✓	✓	•
Houston	✓	✓	•
Hudson's Hope	•	•	✓
Invermere	✓	•	✓
Kamloops	✓	•	•
Kaslo	✓	✓	✓
Kelowna	✓	•	•
Kent	✓	•	✓
Keremeos	✓	✓	✓
Kimberley	✓	•	•
Kitimat	✓	•	•
Ladysmith	✓	•	✓
Lake Country	✓	✓	•
Lake Cowichan	✓	•	✓
Langford	✓	✓	✓
Lillooet	✓	•	•
Lumby	✓	•	✓
Lytton	•	•	✓
Mackenzie	✓	•	✓
Maple Ridge	✓	•	✓
McBride	✓	✓	✓
Matsqui	✓	•	•
Merritt	✓	•	✓
Metchosin	✓	•	•
Midway	✓	•	✓
Mission	✓	•	✓
Montrose	✓	•	✓
Nakusp	✓	✓	✓
Nanaimo	✓	•	•
Nelson	✓	✓	✓
New Denver	✓	•	•
New Hazelton	✓	✓	•
New Westminister	✓	•	•
North Cowichan	✓	•	✓
North Saanich	✓	•	✓
North Vancouver (City)	✓	•	•
North Vancouver (District)	✓	•	✓
Oak Bay	✓	•	✓
Oliver	✓	•	✓
Osoyoos	•	•	✓
Parksville	✓	•	•
Peachland	✓	•	✓
Pemberton	✓	✓	✓
Penticton	✓	✓	•
Pitt Meadows	✓	✓	•
Port Alberni	✓	✓	✓
Port Alice	✓	•	✓
Port Coquitlam	✓	•	•
Port Edward	✓	•	✓
Port Hardy	✓	•	✓
Port McNeill	✓	•	•
Port Moody	✓	•	✓
Pouce Coupe	✓	•	✓
Powell River	✓	•	✓
Prince George	✓	•	✓
Prince Rupert	✓	✓	✓
Princeton	✓	•	•
Qualicum Beach	✓	•	•
Quesnel	•	•	✓
Radium Hot Springs	✓	•	✓

continued on next page

Municipalities (cont'd):	PI	IF	LE
Revelstoke	✓	•	✓
Richmond	✓	•	✓
Rossland	✓	✓	✓
Saanich	✓	✓	✓
Salmo	•	•	✓
Salmon Arm	✓	✓	•
Sayward	✓	•	✓
Sechelt	✓	•	✓
Sicamous	✓	✓	✓
Sidney	✓	✓	✓
Silverton	✓	•	✓
Slocan	✓	•	•
Smithers	✓	✓	✓
Sooke	•	•	✓
Sparwood	✓	•	•
Squamish	•	✓	•
Stewart	✓	•	✓
Summerland	✓	•	•
Surrey	✓	•	•
Tahsis	✓	•	✓
Taylor	•	•	✓
Telkwa	✓	•	✓
Terrace	✓	•	•
Trail	✓	✓	✓
Tumbler Ridge	✓	•	✓
Ucluelet	✓	✓	✓
Valemount	✓	•	✓
Vanderhoof	•	•	✓
Vernon	✓	•	•
Victoria	✓	•	•
View Royal	✓	•	•
Warfield	•	✓	✓
Wells	•	•	✓
West Vancouver	✓	•	•
Whistler	✓	•	✓
White Rock	✓	•	•
Williams Lake	✓	•	✓
Zeballos	✓	•	✓

First Nations:	PI	IF	LE
Adams Lake Indian Band	✓	n/a	n/a
Chawathil Indian Band	✓	n/a	n/a
Chemainus First Nation	✓	n/a	n/a
Ch-ihl-kway-uhk Tribe Society	✓	n/a	n/a
Kamloops Indian Band	✓	n/a	n/a
Kwaw Kwaw Pilt Band	✓	n/a	n/a
Lakahahmen Band Taxation	✓	n/a	n/a
Matsqui Band Taxation	✓	n/a	n/a
Millbrook First Nation	✓	n/a	n/a
Namgis First Nation	✓	n/a	n/a
Old Massett Village Council	✓	n/a	n/a
Seabird Island Indian Band	✓	n/a	n/a
Skowkale Band Taxation	✓	n/a	n/a
Sliammon First Nation	✓	n/a	n/a
Songhees/Esquimalt First Nation	✓	n/a	n/a
Sto:lo Nation	✓	n/a	n/a
T'it'q'et Nation	✓	n/a	n/a
Te'mexw Treaty Association	✓	n/a	n/a
Tsawwassen First Nation	✓	n/a	n/a
Tzeacthen Indian Band	✓	n/a	n/a
Westbank First Nation	✓	n/a	n/a
Westbank First Nation Taxation	✓	n/a	n/a
White Bear Taxation	✓	n/a	n/a

Hospital/Regional Hospital Districts:	PI	IF	LE
Alberni-Clayoquot	✓	✓	n/a
Bulkley-Nechako	✓	•	n/a
Capital	✓	✓	n/a
Cariboo	✓	•	n/a
Central Okanagan	•	✓	n/a
Chase Diagnostic & Treatment Centre	✓	•	n/a
Chemainus Health Care Centre	✓	•	n/a
Children's and Women's Health Centre of BC	✓	•	n/a
Coast Garibaldi Regional Hospital	✓	•	n/a
Comox-Strathcona	•	✓	n/a
Cowichan District Hospital	✓	•	n/a
Delta Centennial Hospital	✓	•	n/a
East Kootenay	✓	•	n/a
Fraser Fort George	✓	✓	n/a
Kelowna General Hospital Foundation	✓	•	n/a
Kootenay East	✓	✓	n/a
Lillooet District Hospital Society	✓	•	n/a
Mater Misericordiae Health Care Facility	✓	•	n/a
Mt. Waddington	•	✓	n/a
Mt. Waddington Community Health Council	✓	•	n/a
Nanaimo	✓	✓	n/a
North Okanagan Health Regional – Shuswap Health Service	✓	•	n/a
Northern Interior Regional Hospital	✓	•	n/a
Northwest	•	✓	n/a
Okanagan-Similkameen	✓	•	n/a
Okanagan-Similkameen Health Region	✓	•	n/a
Peace Liard	✓	•	n/a
Peace Lutheran Care Centre	✓	•	n/a
Peace River	✓	✓	n/a
Saanich Peninsula Hospital Society	✓	•	n/a
Skeena-Queen Charlotte	•	✓	n/a
Sparwood General Hospital	✓	•	n/a
Stuart-Nechako	✓	•	n/a
Sunshine Coast	✓	•	n/a
Terrace and Area Health Council	✓	•	n/a
Thompson	✓	✓	n/a
Thompson-Nicola	✓	•	n/a
Trail Regional Hospital	✓	•	n/a
Vernon Jubilee Hospital Society	✓	•	n/a
West Kootenay-Boundary	•	✓	n/a

Others:	PI	IF	LE
Association of Kootenay & Boundary Municipalities	✓	n/a	n/a
Barriere Improvement District	✓	n/a	n/a
Board of Cemetery Trustees of Greater Victoria	✓	n/a	n/a
Capital Regional Housing Corporation	✓	n/a	n/a
CivicInfo BC	✓	n/a	n/a
Columbia Basin Trust	✓	n/a	n/a
CREST	•	✓	•
Fraser Basin Council Society	✓	n/a	n/a
Fraser Valley Regional Library	✓	n/a	n/a
Government Finance Officers' Association	✓	n/a	n/a
Grand Forks Irrigation District	✓	n/a	n/a
Hedley Improvement District	✓	n/a	n/a
Iroquois Falls, Ontario	n/a	n/a	✓
Lund Waterworks Improvement District	✓	n/a	n/a
Mt. Parke Estates Improvement District	✓	n/a	n/a
Municipal Finance Authority of British Columbia	✓	✓	•
Municipal Insurance Association	✓	n/a	n/a
Municipal Officers' Association (LGMA) Investment Fund	✓	n/a	n/a
Naramata Water System	✓	n/a	n/a
Nootka Sound Economic Development Corp.	✓	n/a	n/a
North Central Municipal Association	✓	n/a	n/a
Okanagan Mainline Municipal Association	✓	n/a	n/a
Razor Point Improvement District	✓	n/a	n/a
Shawnigan Improvement District	✓	n/a	n/a
South East Kelowna Irrigation District	✓	n/a	n/a
Union of BC Municipalities	✓	n/a	n/a
Vancouver Island Municipal Association	✓	n/a	n/a
Vancouver Island Regional Library	✓	n/a	n/a
Westbank Irrigation District	✓	n/a	n/a

School Districts/ Colleges/Universities:	PI	IF	LE
Capilano	•	n/a	✓
Camosun	•	n/a	✓
College of the Rockies	✓	n/a	•
Langara	•	n/a	✓
New Caledonia	•	n/a	✓
School District #6 – Rocky Mountain	✓	n/a	n/a
School District #50 – Queen Charlotte	✓	n/a	n/a
School District #74 – Gold Trail	✓	n/a	n/a
School District #75 – Mission	✓	n/a	n/a
University of Northern British Columbia	✓	n/a	•

How we operate

RESPONSIBILITY

The Municipal Finance Authority of British Columbia was established in 1970 by the Municipal Finance Authority of British Columbia Act.

Regional districts and B.C. municipalities finance all long-term capital requirements through the MFA, except those met by senior levels of government.

Since 1995, our client base has expanded to include Greater Vancouver Water District and the Greater Vancouver Sewerage and Drainage District (Utilities), Emergency Communications for Southwest British Columbia (E-Comm), Regional Hospital Districts (RHD) and the Greater Vancouver Transportation Authority (GVTA or TransLink).

The City of Vancouver is the only municipality that retains the right to issue its own securities to finance capital projects. Taxable land and improvements within the City of Vancouver are, nevertheless, subject to rates levied by the Municipal Finance Authority for the annual operating levy, and also to replenish the debt reserve fund, should it ever be drawn upon.

REPRESENTATION

The province of B.C. is divided into twenty-seven regional districts, each of which is governed by a regional board consisting of representatives of its member municipalities and unincorporated areas. The MFA is comprised of 35 members who represent these districts.

A complete listing of members and trustees and a description of how they are selected is provided on page 11.

FUNDING

When the MFA's clients wish to finance capital projects, Ministry-approved requests are presented to the MFA and approved by its members. Subject to market and economic conditions, the MFA's board of trustees then may authorize the issue and sale of securities sufficient to meet aggregate client requests.

Proceeds from the sale of these securities is not to exceed the amount authorized. The board of trustees also determines the rates, terms and conditions, including the markets and currencies, for the sale of these securities.

The MFA has the power to provide for the creation, management and application of sinking funds, or other means of securing the repayment of its securities, including calling for their early redemption.

A separate sinking fund account is maintained for each securities issue. Monies in excess of the current needs of a sinking fund, or which cannot be immediately applied toward repaying the debt, may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities fully guaranteed by the government of Canada or by a province of Canada, or
c) securities of a municipality or regional district in B.C. or another province of Canada, maturing not later than the securities for which the sinking fund was created, or
d) investments guaranteed by a Canadian chartered bank, or
e) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act, or
f) securities of the MFA maturing not later than the securities for which the sinking fund was created.

How we safeguard investors

FINANCIAL PROTECTION

In B.C., the combined credit of all the regional districts and their member municipalities, the utilities, TransLink and regional hospital districts – which together have essentially all the taxable land and improvements in the province – stands behind the MFA's obligations.

In addition, the MFA has established a debt reserve fund. Each client must contribute to this fund for securities issues in which they participate that have a term of five years or more. The contribution is equal to one-half the client's average annual principal and interest instalment. This amount is payable to the MFA at the time of issue, either in full or in an amount equal to one percent of the principal amount borrowed. (TransLink contributes two percent.) The balance is secured by a non-interest bearing demand note of the regional district or regional hospital district issued to the MFA.

Monies paid into the debt reserve fund, and interest that the fund earns, are obligations of the MFA to its clients and must be refunded to them when final loan instalments have been made. However, where a municipality, utility, or TransLink has discharged its debt obligation to a regional district, the MFA may, during the term of the issue, repay to the regional district a portion of that obligation. This repayment will be for the credit of the municipality, utility, or TransLink.

If, at any time, the MFA lacks sufficient funds to meet principal, interest or sinking fund payments due on its obligations, it must utilize the debt reserve fund. All or any part of this fund is available to satisfy MFA obligations, regardless of the sources of the money in the fund. In the event that payments are made from the debt reserve fund, the MFA will recover such payments from the regional districts and regional hospital districts involved to restore the debt reserve fund.

If the Trustees are of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, they will levy upon all taxable land and improvements in the province a tax sufficient to restore the fund. It is mandatory for the Trustees to levy such a tax when the balance in the debt reserve fund is less than 50 percent of what the balance would have been had no such payments been made. The defaulting client is not relieved of their unpaid balance owing and is obligated to reimburse the other MFA clients that covered the default.

The Trustees power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has guaranteed that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act. The Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities fully guaranteed by the government of Canada or a province of Canada, or
c) deposits in or investments guaranteed by a Canadian chartered bank, or
d) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act.

These investments must mature or be callable within five years and at least 25 percent of the fund must be callable within 90 days.

LEGISLATIVE PROTECTION

Clients who finance through the MFA must obtain the same provincial approvals as are required if they were issuing their own securities. In this way, all the safeguards imposed by the Provincial Legislature on incurring clients' indebtedness are retained. These safeguards require that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require a certificate of self-liquidation from the Inspector of Municipalities.

Limitations on the borrowing power of a client for each borrowing function (i.e. sewer, water, roads, etc.) may be specified in its letters patent. The total indebtedness of a municipality is limited to a percentage of the assessed value of the municipality's taxable land and improvements, and the value of the utility systems and other municipal enterprises for which the municipality holds a provincial certificate of self-liquidation.

How we serve our clients

The Municipal Finance Authority was established because it made economic sense for individual municipalities and regional districts to borrow together as a group and to guarantee each other's credit. By acting together we are able to provide low interest rate financing for communities' capital programs and offer other innovative, flexible financial services.

POOLED INVESTMENT PROGRAM

ORGANIZATION

The Municipal Finance Authority Act was amended in 1988 authorizing the MFA to provide short-term investment opportunities for regional districts and municipalities in B.C. In 1992, the Act was further amended to extend the investment program to certain other public institutions in B.C.

The amendments resulted in the establishment and operation of three pooled investment funds. Two funds commenced operations in May, 1989 and a third in 1994.

PARTICIPATION

Participation in the Pooled Investment Program by public institutions is voluntary.

INVESTMENT ACTIVITIES

The investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

INTERIM FINANCING PROGRAM

ORGANIZATION

The Interim Financing Program commenced operations in December, 1990 after amendments were made to the Municipal Finance Authority Act to enable the MFA to offer interim financing to regional districts and municipalities. In 1992, the Act was further amended to include certain other public institutions in B.C.

PARTICIPATION

Participation in the Interim Financing Program by public institutions is voluntary.

PURPOSES FOR WHICH INTERIM FINANCING MAY BE PROVIDED

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short-term capital borrowing up to 5 years
c) revenue anticipation borrowing
d) temporary financing to meet current operating expenditures

POOLED LEASING PROGRAM

ORGANIZATION

In 1995, the Municipal Finance Authority started its Pooled Leasing Program, funded with the same line of credit as the Interim Financing Program. The Authority is authorized to finance short-term debt for capital expenditures, including leasing.

PURPOSES FOR WHICH LEASING MAY BE PROVIDED

All commonly leased assets from office equipment to rolling stock are eligible under the program.

PARTICIPATION

Participation in the program is voluntary. The program is now available to colleges and universities, and may also soon be made available to other public bodies.

Auditors' Report 2001

To the Members of the Municipal Finance Authority of British Columbia

We have audited the balance sheets of the Debt Fund, Capital Repayment Equalization Fund, Debt Reserve Fund, Operating Fund and Market Development Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") and the combined balance sheet of these Funds as at December 31, 2001, the statements of revenue, expenditure and surplus and cash flows of each of these Funds and the combined statements of revenue, expenditure and surplus and cash flows of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 2001, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 8, 2002

Balance Sheets

DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2001	2000	**2001**	2000
ASSETS				
Loans to Clients (Note 2) (Schedule page F29)	**$2,832,474**	2,714,849	**2,832,474**	2,714,849
Investments, net of holdings of the Authority (Note 3)	**1,139,714**	1,059,689	–	–
Investments in sinking funds (Note 4)	**10,265**	10,265	**10,265**	10,265
Sinking fund assets in excess of related debt (Note 4)	**26,780**	25,727	**26,780**	25,727
Accrued interest and other receivables	**78,950**	94,044	**50,581**	51,344
Demand notes receivable from Clients, without interest	**177,403**	180,353	–	–
Unamortized issue, discount, refunding and exchange costs	**35,721**	42,863	**35,721**	42,863
Cash and cash equivalents	**7,017**	7,141	**19**	12
Capital assets (Note 5)	**879**	904	–	–
Due from Debt Fund	–	–	–	–
Due from Capital Repayment Equalization Fund	–	–	**737,166**	630,594
Due from Operating Fund	–	–	–	–
	$4,309,203	4,135,835	**3,693,006**	3,475,654
LIABILITIES, EQUITY AND SURPLUS				
Liabilities:				
Long-term debt (Note 6) (Schedule page F24)	**$3,385,891**	3,235,022	**3,415,928**	3,274,325
Due to Clients (Note 7)	**258,185**	270,062	–	–
Accounts payable and accrued interest payable (Note 8)	**53,371**	63,556	**53,043**	63,208
Due to sinking and other funds (Note 9)	**160,174**	75,315	**160,174**	75,315
Due to Debt Fund	–	–	–	–
Due to Operating Fund	–	–	**42**	39
Due to Debt Reserve Fund	–	–	–	–
Due to Market Development Fund	–	–	–	–
Due to Forest Renewal BC	–	10,082	–	–
Total liabilities	**3,857,621**	3,654,037	**3,629,187**	3,412,887
Equity in capital assets (Note 5)	**879**	904	–	–
Surplus appropriated for capital expenditures	**549**	–	–	–
Surplus unappropriated	**450,154**	480,894	**63,819**	62,767
	$4,309,203	4,135,835	**3,693,006**	3,475,654

SECRETARY-TREASURER

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
–	–	–	–	–	–	–	–
1,089,784	1,001,142	**79,967**	87,768	–	10,082	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
27,679	41,403	**394**	1,079	**296**	218	–	–
–	–	**177,403**	180,353	–	–	–	–
–	–	–	–	–	–	–	–
5,092	5,275	**417**	890	**1,489**	964	–	–
–	–	–	–	**879**	904	–	–
–	–	–	–	**42**	39	–	–
–	–	–	–	–	–	–	–
–	–	**6**	–	–	–	**1**	1
1,122,555	1,047,820	**258,187**	270,090	**2,706**	12,207	**1**	1
–	–	–	–	–	–	–	–
–	–	**258,185**	270,062	–	–	–	–
–	–	**2**	28	**326**	320	–	–
–	–	–	–	–	–	–	–
737,166	630,594	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**6**	–	–	–
–	–	–	–	**1**	1	–	–
–	–	–	–	–	10,082	–	–
737,166	630,594	**258,187**	270,090	**333**	10,403	–	–
–	–	–	–	**879**	904	–	–
–	–	–	–	**549**	–	–	–
385,389	417,226	–	–	**945**	900	**1**	1
1,122,555	1,047,820	**258,187**	270,090	**2,706**	12,207	**1**	1

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Revenue, Expenditure and Surplus

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2001	2000	**2001**	2000
REVENUE				
Interest from loans to Clients	**$248,127**	255,920	–	–
Principal from loans to Clients	–	–	–	–
Transfers of Interest from Capital Repayment Equalization Fund	–	–	**245,235**	261,140
Investment income	**89,121**	69,317	**2,079**	2,506
Management fees	**941**	696	–	–
Recoveries from new issues	**429**	429	–	–
Operating levy	**101**	100	–	–
Other – unused new issue expenses	–	6	–	–
Total revenue	**338,719**	326,468	**247,314**	263,646
EXPENDITURE				
Interest on long-term debt	**241,139**	251,761	**241,139**	251,761
Transfers to Debt Fund - principal from Clients	–	–	–	–
Transfers to Debt Fund - interest	–	–	–	–
Amortization of issue, discount, refunding and exchange costs	**5,088**	7,764	**5,088**	7,764
Administrative	**1,549**	1,451	–	–
Management fees	–	–	**35**	43
Allocation of Debt Reserve Fund net earnings to Clients	**5,410**	3,404	–	–
Debt management and marketing	**219**	267	–	–
Total expenditure	**253,405**	264,647	**246,262**	259,568
Excess of revenue over expenditure for the year	**85,314**	61,821	**1,052**	4,078
Surplus at beginning of the year	**480,894**	493,433	**62,767**	58,689
Interfund transfers	–	–	–	–
Allocations to Clients (Note 11)	**(115,155)**	(74,110)	–	–
Appropriation of surplus for capital expenditures	**(549)**	–	–	–
Dividends paid	**(350)**	(250)	–	–
Surplus at the end of the year	**$450,154**	480,894	**63,819**	62,767

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
248,127	255,920	–	–	–	–	–	–
172,162	167,490	–	–	–	–	–	–
–	–	–	–	–	–	–	–
81,422	63,118	**5,562**	3,601	**58**	92	–	–
–	–	–	–	**2,055**	1,785	–	–
–	–	–	–	**429**	429	–	–
–	–	–	–	**101**	100	–	–
–	–	–	6	–	–	–	–
501,711	486,528	**5,562**	3,607	**2,643**	2,406	–	–
–	–	–	–	–	–	–	–
172,162	167,490	–	–	–	–	–	–
245,235	261,140	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**1,549**	1,451	–	–
996	960	**83**	86	–	–	–	–
–	–	**5,410**	3,404	–	–	–	–
–	–	**69**	117	–	–	**150**	150
418,393	429,590	**5,562**	3,607	**1,549**	1,451	**150**	150
83,318	56,938	–	–	**1094**	955	**(150)**	(150)
417,226	434,398	–	–	**900**	345	**1**	1
–	–	–	–	**(150)**	(150)	**150**	150
(115,155)	(74,110)	–	–	–	–	–	–
–	–	–	–	**(549)**	–	–	–
–	–	–	–	**(350)**	(250)	–	–
385,389	417,226	–	–	**945**	900	**1**	1

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Cash Flows

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2001	2000	**2001**	2000
OPERATING ACTIVITIES				
Excess of revenue over expenditure for the year	**$85,314**	61,821	**1,052**	4,078
Non-cash items:				
(Gain) / Loss on disposals of investments	**(7,934)**	3,169	**48**	2
Accretion of discounts on investments	**(29,364)**	(27,329)	**(1,254)**	(1,483)
Amortization of issue, discount, refunding and exchange costs	**5,088**	7,764	**5,088**	7,764
Allocations of net earnings to Clients	**5,410**	3,404	**–**	–
Depreciation on building	**25**	25	**–**	–
Allocations of surplus payments to Clients	**(115,155)**	(74,110)	**–**	–
Interfund transfers	**–**	–	**(9,717)**	(12,159)
Changes in accrued interest and other receivables	**21,416**	(16,295)	**7,086**	2,984
Changes in accounts payable and accrued interest payable	**(19,611)**	(4,058)	**(9,508)**	(3,969)
Cash provided by (applied to) operating activities	**(54,811)**	(45,609)	**(7,205)**	(2,783)
INVESTING ACTIVITIES				
Investments sold or matured	**1,957,760**	632,900	**3,984**	29,241
Investments purchased	**(1,992,483)**	(646,818)	**(4,041)**	(11,361)
Cash provided by (applied to) investing activities	**(34,723)**	(13,918)	**(57)**	17,880
FINANCING ACTIVITIES				
New debt issued	**372,300**	286,122	**372,300**	286,122
Loan repayments from Clients	**248,542**	226,081	**248,542**	226,081
New loans to Clients	**(373,043)**	(242,473)	**(373,043)**	(242,473)
Debt retired	**(230,591)**	(188,675)	**(230,591)**	(188,675)
Decrease (increase) in unamortized issue, discount, refunding and exchange costs	**2,054**	(21,122)	**2,054**	(21,122)
Increase (decrease) in loans from sinking and other funds	**84,835**	1,286	**84,860**	1,311
Changes in interfund balances	**–**	–	**(96,853)**	(77,004)
Contributions from Clients for new loans	**5,130**	3,325	**–**	–
Contributions and earnings thereon refunded to Clients	**(19,467)**	(11,945)	**–**	–
Dividends paid	**(350)**	(250)	**–**	–
Cash provided by (applied to) financing activities	**89,411**	52,349	**7,269**	(15,760)
Increase (decrease) in cash for the year	**(124)**	(7,178)	**7**	(663)
Cash and cash equivalents, beginning of the year	**7,141**	14,319	**12**	675
Cash and cash equivalents, end of the year	**$7,017**	7,141	**19**	12

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12)

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
83,318	56,938	–	–	**1094**	955	**(150)**	(150)
(6,703)	1,514	**(1,279)**	1,653	–	–	–	–
(27,356)	(25,506)	**(754)**	(340)	–	–	–	–
–	–	–	–	–	–	–	–
–	–	**5,410**	3,404	–	–	–	–
–	–	–	–	**25**	25	–	–
(115,155)	(74,110)	–	–	–	–	–	–
9,717	12,159	–	–	**(150)**	(150)	**150**	150
13,723	(19,076)	**685**	(216)	**(78)**	13	–	–
–	–	**(26)**	(9)	**(10,077)**	(80)	–	–
(42,456)	(48,081)	**4,036**	4,492	**(9,186)**	763	–	–
1,152,626	316,986	**790,648**	286,088	**10,502**	585	–	–
(1,207,209)	(351,549)	**(780,814)**	(283,361)	**(419)**	(547)	–	–
(54,583)	(34,563)	**9,834**	2,727	**10,083**	38	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**(25)**	(25)	–	–
96,856	77,024	**(6)**	–	**3**	(20)	–	–
–	–	**5,130**	3,325	–	–	–	–
–	–	**(19,467)**	(11,945)	–	–	–	–
–	–	–	–	**(350)**	(250)	–	–
96,856	77,024	**(14,343)**	(8,620)	**(372)**	(295)	–	–
(183)	(5,620)	**(473)**	(1,401)	**525**	506	–	–
5,275	10,895	**890**	2,291	**964**	458	–	–
5,092	5,275	**417**	890	**1,489**	964	–	–

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements – All Funds

DECEMBER 31, 2001

1. Basis of Presentation

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the Municipal Finance Authority Act (the "Act") as the central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "clients"). The Authority issues its own securities and lends the proceeds to its clients on whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province. The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the trustees are of the opinion that debt payments may not be recovered within a reasonable time under loan agreements with its clients.

The accompanying financial statements reflect the capital financing and general operations of the Authority. Other activities, including the maintenance of pooled investment funds and the Interim Financing and Leasing Funds are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting by which financial resources are segregated for specific activities or to attain certain objectives. Five funds are maintained within the Capital Financing division.

A brief description of each of the capital financing funds and its purpose is as follows:

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Capital Financing activities, the Operating Fund receives management fees from the Pooled Investment Fund and the Interim Financing and Leasing Funds and pays the cost of their operations.

DEBT FUND

The Authority's financing activities on behalf of its clients are recorded in the Debt Fund.

CAPITAL REPAYMENT EQUALIZATION FUND

The Capital Repayment Equalization Fund is a repository for repayments from the clients under their loan agreements in advance of the Authority's requirements on its related indebtedness. Transfers, not exceeding the amount due in respect of each debt issue, are made to the Debt Fund to meet the Authority's obligations when due.

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each client sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district, member municipalities, utilities and TransLink in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (2% for TransLink) of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet debt payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

MARKET DEVELOPMENT FUND

The development of markets for the Authority's services is segregated in the Market Development Fund which is funded by transfers from the Operating Fund.

In addition, the financial statements have been prepared within the framework of the following significant accounting policies:

SURPLUS

The surplus balances of the Debt Fund and the Capital Equalization Repayment Fund represent undistributed actual earnings on investments and the amounts in excess of budget actuarial earnings, and are due to the clients once the debt is repaid. The amount of surplus reallocated to clients is disclosed in the Statements of Revenue, Expenditure and Surplus.

The Authority may appropriate operating surpluses for future operating expenditures.

INCOME RECOGNITION

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

AMORTIZATION OF ISSUE, DISCOUNT, REFUNDING AND EXCHANGE COSTS

Issue, discount, refunding and exchange costs are amortized on a straight-line basis over the average lives of the securities issues to which they relate.

FOREIGN CURRENCY TRANSACTIONS

The loans receivable and long-term debt payable, denominated in U.S. dollars are translated to Canadian dollars at rates in effect at the balance sheet date.

Foreign exchange exposure is fully hedged by virtue of contractual arrangements with the clients on whose behalf the financing is undertaken and/or by the application of certain sections of the Act which, essentially, provide that all monetary risks, including foreign currency risks, are obligations of the clients.

The Authority has arranged various refinancing of U.S. denominated debt into Canadian dollars. The exchange amounts incurred on the refinancing are presented as unamortized exchange costs and amortized over the average remaining terms of the new issue.

INVESTMENTS

The investment purchasing and trading policy of the Authority is to match the maturity of its investments with the applicable obligation dates of its debt.

Securities purchased with the intention of holding to maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity are recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. Any gains and losses on the disposal of investment securities are recorded in the Statements of Revenue, and Expenditure and Surplus in the year of disposal.

Securities may be purchased for investment return and may be either short or long term. Such securities are also recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. When the market value of trading securities declines below carrying value and such decline in value is considered other than temporary, these securities are written down to market. Write-downs to market and any gains and losses on the sale of these securities are recorded in the Statements of Revenue, Expenditure and Surplus in the year they occur.

SINKING FUNDS

The Sinking Fund investments relate to two debenture issues that mature December 1, 2002 and November 15, 2003. Under the terms of issuance, the Authority had a legal obligation to put aside a stipulated amount of monies each year, which would grow to cover the debt at maturity. All subsequent debt issues do not have this stipulation and are recorded in the Capital Repayment Equalization Fund.

Under the Act, obligations of the Authority purchased for a sinking fund account together with interest, premium, or exchange derived from them shall be held to the credit of that sinking fund account but may be resold. However, securities purchased in anticipation of mandatory annual redemptions for sinking fund purposes are cancelled immediately in accordance with the terms of such issues.

CAPITAL ASSETS

Capital assets are stated at cost. Amortization of the building is provided on a straight-line basis over 40 years.

2. Loans to Clients

Under the Act, each client sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue, but if the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the client to the Authority.

The aggregate principal payments recoverable from the clients in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

Thousands of dollars	2001
2002	**$159,171**
2003	**151,206**
2004	**136,568**
2005	**132,800**
2006	**129,051**

When the Authority, under Section 12 of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund and/or the Capital Repayment Equalization Fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the clients under the related loan agreements are suspended.

Loans to clients include $8,345,633 (2000 – $24,067,463), which are denominated in U.S. dollars. The difference between loans receivable of U.S. $8,345,633 (2000 – $24,067,463) and loans payable in U.S. dollars of $872,000 (2000 – $1,252,000) results from various refinancings of U.S. denominated debt into Canadian dollars. The loans to clients under these refinancings have remained in U.S. dollars.

For financial statement presentation, both the loans receivable from the clients in U.S. dollars, and the U.S. denominated debt have been translated to Canadian Dollars at the balance sheet date.

3. Investments

Investments consist of securities of:

		2001	2000
Thousands of dollars	**Par Value**	**Book Value**	Book Value
CAPITAL REPAYMENT EQUALIZATION FUND			
Government of Canada, direct or guaranteed	**$246,878**	**204,900**	193,405
Provincial governments, direct or guaranteed	**448,697**	**339,385**	238,534
Chartered banks, direct or guaranteed	**490,086**	**449,418**	494,965
Credit Unions in the Province	**41,731**	**41,645**	14,172
Regional and municipal governments	**24,404**	**24,399**	20,763
	1,251,796	**1,059,747**	961,839
The Authority	**29,483**	**30,037**	39,303
	$1,281,279	**1,089,784**	1,001,142
DEBT RESERVE FUND			
Government of Canada, direct or guaranteed	**$68,807**	**72,247**	51,718
Provincial governments, direct or guaranteed	**3,245**	**3,324**	17,910
Chartered banks, direct or guaranteed	**685**	**733**	18,140
Credit Unions in the Province	**3,309**	**3,072**	–
Regional and municipal governments	**591**	**591**	–
	$76,637	**79,967**	87,768
OPERATING FUND			
The Authority – Pooled Investments	–	–	10,082
Total, all funds	**1,357,916**	**1,169,751**	1,098,992
Less investments held by the Authority	**29,483**	**30,037**	39,303
COMBINED TOTAL	**$1,328,433**	**1,139,714**	1,059,689

4. Investments in sinking funds

The annual deposits to the sinking funds for securities issues payable in Canadian dollars are based on an expected earnings rate of 5% per annum, capitalized yearly.

The assets and the surpluses of the sinking funds are as follows:

Thousands of dollars	2001 Par Value	2001 Book Value	2000 Book Value
SECURITIES			
Government of Canada, direct or guaranteed	**$758**	**691**	656
Provincial governments, direct or guaranteed	**7,211**	**6,895**	4,777
Chartered banks, direct or guaranteed	**27,568**	**26,088**	26,411
	35,537	**33,674**	31,844
The Authority	**2,780**	**2,958**	3,525
	$38,317	**36,632**	35,369
Cash		**266**	473
Accrued interest and other		**147**	150
Total Assets		**$37,045**	35,992
Presented on Balance Sheet as:			
Investments in sinking funds:			
Accumulated actuarial requirements for retirement of related sinking fund debt		**$9,406**	8,752
Excess of assets above actuarial requirements (i)		**859**	1,513
		10,265	10,265
Sinking fund assets in excess of related debt (ii)		**26,780**	25,727
		$37,045	35,992

(i) These assets remain in the sinking fund to cover the applicable debt.

(ii) This excess will be allocated back to the Authority's clients. (See Note 11).

5. Capital assets

Capital assets represent the net book value of the land and building out of which the Authority operates. The land and building, purchased at an original cost of $998,000 is reflected in the Operating Fund.

6. Long-term debt

The aggregate long-term debt maturities and sinking fund requirements in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

Thousands of dollars	2001	2000
2001	$ –	230,806
2002	**240,291**	220,791
2003	**295,450**	295,450
2004	**171,541**	171,541
2005	**439,308**	439,308
2006	**276,318**	

Since the terms of maturities of certain of the Authority's securities issues and the requested loan term by its clients do not coincide, refinancing of a portion of such securities issues will be required in future years. Refinancings over the next five years and the average interest rates on the refunded amounts, are as follows:

Thousands of dollars	Refinancing	Existing Interest Rate %
2002	**22,700**	9.63
2003	**33,400**	8.00
2004	**44,700**	8.50
2005	**153,500**	8.03
2006	**34,700**	8.04

7. Due to Clients – Debt Reserve Fund

The amounts due to the clients will be repaid to them when they have made the final payment under their respective loan agreements. However, where a municipality has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the municipality a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

If the Trustees of the Authority are of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than fifty percent of the amount that would have been in the fund had no such payments been made.

8. Accounts payable and accrued interest payable

Accounts payable and accrued interest payable also includes the difference between the unscheduled early payout (present valued) by various clients and the book value of their liabilities to the Authority. These early payments by clients are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the client would have otherwise made (based on the present value of the yield curve at the time of the early payment).

9. Due to sinking and other funds

The Authority may invest sinking fund and Capital Repayment Equalization Fund monies in its own securities maturing not later than the securities for which the sinking fund or Capital Repayment Equalization Fund account was created. These investments have been offset against the related debt in the combined statements (see "Debt Fund–Schedule of Long-Term Debt," F24).

10. Financial instruments

Upon maturity of certain debt issues, the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's Interim Financing program's revolving credit facility. As at December 31, 2001 the authority had $64,765,765 (2000 – $56,632,714) of these loans outstanding subject to floating interest rates. As at December 31, 2001 this floating rate was 2.42% (2000 – 6.05%) while the related relending of these funds to its clients ranged from 5.49% to 6.50% (2000 – 5.49% to 6.50%). During the year interest in the amount of $3,562,202 (2000 – $3,245,265) was paid to the Interim Financing program on these loans.

The Authority invests in securities with proceeds from its Interim Financing program. As at December 31, 2001 the Authority had $95,408,468 of these loans outstanding at a floating rate of 2.42% with investment yields ranging from 5.01% to 6.24%. During the year interest in the amount of $1,065,579 was paid to the Interim Financing program on these loans.

The Authority has entered into certain financial agreements to hedge investment yields with third party financial institutions whereby the Authority will make periodic principal payments in exchange for certain future cash repayments. As at December 31, 2001 the future value of these contracts, due to the Authority, is $391,214,231 (2000 – $391,589,000) while related principal payments by the Authority towards those agreements is $112,415,436 (2000 – $83,347,000).

The carrying values of accrued interest and other receivables and accounts payable and accrued interest payable approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the combined balance sheet at carrying amount are as follows:

	2001		2000	
Thousands of dollars	**Carrying Amount**	**Fair Market Value**	Carrying Amount	Fair Market Value
Investments				
Capital Repayment Equalization Fund	**$1,089,784**	**1,103,036**	1,001,142	992,561
Debt Reserve Fund	**79,967**	**80,562**	87,768	87,740
Sinking Funds	**36,632**	**35,087**	35,369	33,230
Loans to Clients	**2,832,474**	**2,973,421**	2,714,849	2,825,043
Long Term Debt	**3,415,928**	**3,627,601**	3,274,325	3,443,814

Fair values were estimated as follows:

- Investments – based on quoted market values.
- Long-term debt – prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.
- Loans to Clients – values estimated using prices equivalent to the related long-term debt for each issue.

11. Allocations to Clients

This amount is the total of surpluses earned by the investments relating to specific debentures issues that have matured and were distributed back to the clients for which the financing was undertaken. Allocations of net earnings to clients, which applies to the Debt Reserve Fund is shown separately. During the year, the following surplus was allocated:

Thousands of dollars	**2001**	2000
Cash surplus repayments	**$38,776**	$18,075
Future invoice payments forgiven	**76,379**	56,035
	$115,155	74,110

12. Supplemental cash flow information

During the year the Authority received cash payments of $255,765,500 (2000 – $258,312,000) as interest payments from its clients and $92,222,500 (2000 – $70,756,000) as interest on investments.

During the year the Authority made payments of $245,850,900 (2000 – $250,680,000) as interest payments to bondholders and $4,629,100 (2000 – $4,313,000) as interest payments on internal loans held by the Interim Financing program.

The amounts shown on the Statements of Revenue, Expenditure and Surplus are recorded on an accrual basis and may differ from the information presented above on a cash basis.

13. Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of a 5% expected earnings rate on sinking funds, which makes up a portion of the asset "Loans to Clients" (See note 2).

14. Comparative figures

Certain 2000 comparative figures have been reclassified to conform with the financial statement presentation of the current year.

Debt Fund – Schedule of Long-Term Debt

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
21	1977	December 1, 2002	9.500	7,000
A23	1978	November 15, 2003	10.000	3,265
33	1983	June 15, 2002 - 2003	12.375	63,300
A29	1986	April 29, 2001	14.000	91,362
39/EB	1986	June 2, 2001	9.375	65,500
40/CC	1986	October 23, 2003 / 2006	10.125	26,000
50/CL	1991	May 8, 2006	10.250	46,000
53/CN	1992	May 13, 2002	9.625	55,000
54/CO	1993	January 12, 2003	8.300	57,300
55	1993	May 12, 2002 - 2003	8.000	15,000
55/CP	1993	May 12, 2013	8.750	50,000
56/EC	1993	November 19, 2003	7.250	98,000
58/ED	1994	May 10, 2004	8.500	91,000
60/CQ	1995	April 12, 2005	8.500	47,000
61/CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2005	6.200	134
64/CS	1996/2002	September 25, 2006	7.250	121,000
65/CT	1997	April 24, 2007	6.750	125,000
66/CU	1997	November 5, 2002 - 2006	5.000 - 5.625	75,000
66/CU	1997	November 5, 2007	5.625	60,000
68	1998	March 24, 2002 - 2007	5.250 - 5.500	86,642
68/CV	1998	March 24, 2008	5.500	336,000
70/CW	1999/2000	June 1, 2009	5.250	646,000
74/CX	2001	June 1, 2011	5.900	331,800
76/CY	2001	November 8, 2002	2.337	19,500
800	1999	September 1, 2004	4.750	122
			Carried Forward	2,866,925

OUTSTANDING	SINKING FUNDS	2001 LONG-TERM DEBT, NET	2000 LONG-TERM DEBT, NET	REFERENCES
PAYABLE IN CANADIAN DOLLARS:				
7,000	7,000	-	-	(1) (2)
3,265	3,265	-	-	(1) (2)
18,660	-	18,660	26,400	(3)
-	-	-	91,362	(1)
-	-	-	65,500	(4)
26,000	-	26,000	26,000	(5)
45,980	-	45,980	45,980	(1)
55,000	-	55,000	55,000	(1)
57,300	-	57,300	57,300	(1)
3,875	-	3,875	5,625	(1)
50,000	-	50,000	50,000	(1)
98,000	-	98,000	98,000	(1)
91,000	-	91,000	91,000	(1)
45,020	-	45,020	45,020	(1)
350,000	-	350,000	350,000	(1)
14	-	14	14	(6)
121,000	-	121,000	100,000	(1)
125,000	-	125,000	125,000	(1)
45,682	-	45,682	53,516	(1)
60,000	-	60,000	60,000	(1)
68,222	-	68,222	77,667	(1)
336,000	-	336,000	336,000	(1)
646,000	-	646,000	646,000	(1)
331,800	-	331,800	-	(1)
19,500	-	19,500	-	(1)
122	-	122	122	(7)
2,604,440	10,265	2,594,175	2,405,506	

CONTINUED ON NEXT PAGE

Debt Fund – Schedule of Long-Term Debt

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
			Brought Forward	**$2,866,925**
PAYABLE IN CANADIAN DOLLARS:				
502 to 628	1999	January 8, 2002 - November 30, 2015	5.250 - 17.510	297,929
703 to 715	1999	March 2, 2002 - July 15, 2009	4.560 - 15.540	418,830
902	1996	January 9, 2002	9.000	50,000
903	1996	January 9, 2012	9.500	33,000
906	1996	June 16, 2003	7.750	10,000
908	1996	December 22, 2003	7.000	10,000
909	1996	February 3, 2004	6.500	5,000
910	1996	August 29, 2001	10.150	3,500
911	1996	January 9, 2002	9.000	14,000
912	1996	January 9, 2012	9.500	24,000
915	1996	June 16, 2003	7.750	5,000
917	1996	December 22, 2003	7.000	10,000
918	1996	February 3, 2004	6.500	5,000
919	1996	February 3, 2004	6.500	20,000
920	1996	June 21, 2004	9.000	8,000
922	1996	August 16, 2004	9.125	5,000
			Payable in Canadian Dollars:	3,786,184
PAYABLE IN UNITED STATES DOLLARS:				
22	1978	June 1, 2003	9.375	4,737
				$3,790,921
Add: Foreign Exchange on conversion of U.S debt to Canadian dollars				
Total per Debt Fund				
LESS AMOUNTS HELD AS INVESTMENTS BY THE AUTHORITY:				
Capital Repayment Equalization Fund				
Net debt due to bondholders				

		2001	2000	
OUTSTANDING	**SINKING FUNDS**	**LONG-TERM DEBT, NET**	LONG-TERM DEBT, NET	**REFERENCES**
2,604,440	**10,265**	**2,594,175**	2,405,506	
PAYABLE IN CANADIAN DOLLARS:				
272,619	**–**	**272,619**	292,742	(1) (8)
338,480	**–**	**338,480**	361,437	(1) (9)
50,000	**–**	**50,000**	50,000	(1) (10)
33,000	**–**	**33,000**	33,000	(1) (10)
10,000	**–**	**10,000**	10,000	(1) (10)
10,000	**–**	**10,000**	10,000	(1) (10)
5,000	**–**	**5,000**	5,000	(1) (10)
–	**–**	**–**	3,500	(1) (10)
14,000	**–**	**14,000**	14,000	(1) (10)
24,000	**–**	**24,000**	24,000	(1) (10)
5,000	**–**	**5,000**	5,000	(1) (10)
10,000	**–**	**10,000**	10,000	(1) (10)
5,000	**–**	**5,000**	5,000	(1) (10)
20,000	**–**	**20,000**	20,000	(1) (10)
8,000	**–**	**8,000**	8,000	(1) (10)
5,000	**–**	**5,000**	5,000	(1) (10)
3,414,539	**10,265**	**3,404,274**	3,262,185	
872	**–**	**872**	1,252	(3)
3,415,411	**10,265**	**3,405,146**	3,263,437	
517		**517**	623	
3,415,928		**3,405,663**	3,264,060	
30,037				
3,385,891				

Debt Fund – References to Schedule of Long-Term Debt

DECEMBER 31, 2001

1 Non-callable prior to maturity.

2 The sinking fund has been calculated to provide for retirement of the issue at maturity.

3 Non-callable except for sinking fund purposes.

4 Callable upon the imposition of withholding taxes at any time at 100%.

5 Callable on October 23, 2003 and thereafter at any time at 100%.

6 Five-year Community bonds at 6.20% due December 1, 2005.

7 Five-year Community bonds at 4.750% due September 1, 2004.

8 Debt issues, relating to the Regional Hospital Districts, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 109 debenture issues averaging $2.501 million each. Individual issue detail is not shown.

9 Debt issues, relating to TransLink, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 12 debenture issues averaging $28.207 million each. Individual issue detail is not shown.

10 Debenture issues transferred from Province of British Columbia, to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

Schedule of Loans to Clients 2001

UNAUDITED – OUTSTANDING AT DECEMBER 31, 2001

THOUSANDS OF DOLLARS (EXCEPT PER CAPITA)

	PRINCIPAL OUTSTANDING DEC. 31, 2000	2001 NEW LOANS ISSUED	2001 PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 2001	PER CAPITA
REGIONAL DISTRICTS					
Alberni-Clayoquot	$19,711	4,685	80	**23,592**	706
Bulkley-Nechako	8,633	30	1,307	**7,356**	163
Capital	235,929	29,504	25,395	**240,037**	715
Cariboo	47,145	2,124	4,697	**44,572**	610
Central Coast	401	–	21	**380**	87
Central Kootenay	31,326	383	2,950	**28,760**	467
Central Okanagan	85,672	56,927	12,225	**130,374**	869
Columbia Shuswap	28,625	200	2,626	**26,198**	501
Comox-Strathcona	102,816	8,240	9,341	**101,715**	963
Cowichan Valley	27,588	110	3,704	**23,994**	314
East Kootenay	46,984	4,025	6,332	**44,678**	741
Fraser-Fort George	74,812	420	7,631	**67,601**	633
Fraser Valley	126,871	6,371	18,055	**115,186**	481
Greater Vancouver	804,949	90,529	53,216	**842,259**	426
Kitimat-Stikine	11,269	5,949	2,100	**15,119**	325
Kootenay Boundary	15,612	903	1,336	**15,179**	442
Mount Waddington	5,051	–	747	**4,304**	281
Nanaimo	61,962	4,557	7,898	**58,621**	443
North Okanagan	61,148	2,300	4,498	**58,949**	769
Northern Rockies	6,464	–	612	**5,852**	906
Okanagan-Similkameen	45,898	3,223	4,207	**44,915**	559
Peace River	43,999	–	4,349	**39,651**	657
Powell River	16,617	–	728	**15,889**	748
Skeena-Queen Charlotte	15,374	700	1,936	**14,139**	553
Squamish-Lillooet	23,242	7,800	8,094	**22,948**	649
Sunshine Coast	10,479	–	1,015	**9,464**	350
Thompson-Nicola	54,625	4,063	4,816	**53,873**	419
OTHER					
District of Campbell River	1,059	–	36	**1,023**	32
Greater Nanaimo Water District	14,486	–	7,514	**6,972**	53
E-COMM	137,341	–	9,445	**127,896**	57
TransLink	538,752	140,000	40,907	**637,845**	322
	2,704,840	373,043	248,542	**2,829,341**	705
Foreign Exchange	10,009			**3,133**	
	2,714,849			**2,832,474**	706

Ten Year Review – Combined Funds

THOUSANDS OF DOLLARS

	2001	2000	1999
ASSETS			
Loans to Clients	**$2,832,474**	2,714,849	2,702,045
Investments, net of holdings of the Authority	**1,139,714**	1,059,689	990,838
Investments in sinking funds	**10,265**	10,265	27,802
Sinking fund assets in excess of related debt	**26,780**	25,727	24,587
Accrued interest and other receivables	**78,950**	94,044	74,166
Demand notes receivable from Clients, without interest	**177,403**	180,353	185,938
Unamortized issue, discounts, refunding and exchange costs	**35,721**	42,863	29,506
Cash	**7,017**	7,141	14,319
Capital assets	**879**	904	929
Due from Interim Financing and Leasing Funds	**–**	–	–
Total assets	**$4,309,203**	4,135,835	4,050,130
LIABILITIES, EQUITY AND SURPLUS			
Long-term debt	**$3,385,891**	3,235,022	3,123,290
Due to Clients	**258,185**	270,062	280,862
Accounts payable and accrued interest payable	**53,371**	63,556	67,494
Due to sinking and other funds	**160,174**	75,315	74,004
Due to Interim Financing and Leasing Funds	**–**	–	–
Due to Forest Renewal BC	**–**	10,082	10,118
Total liabilities	**3,857,621**	3,654,037	3,555,768
Equity in capital assets	**879**	904	929
Surplus appropriated for capital expenditures	**549**	–	–
Surplus unappropriated	**450,154**	480,894	493,433
Total liabilities, equity and surplus	**$4,309,203**	4,135,835	4,050,130
REVENUE			
Interest from loans to Clients	**$248,127**	255,920	242,654
Investment income	**89,121**	69,317	61,383
Management fees	**941**	702	735
Recoveries from new issues	**429**	429	434
Operating levy	**101**	100	101
Recovery of deficiencies from Clients	**–**	–	–
Total revenue	**338,719**	326,468	305,307
EXPENDITURE			
Interest on long-term debt	**241,139**	251,761	259,190
Amortization of issue, discounts, refunding and exchange costs	**5,088**	7,764	5,569
Administrative	**1,549**	1,451	1,360
Debt management and marketing	**219**	267	372
Allocation of Debt Reserve Fund net earnings to Clients	**5,410**	3,404	3,119
Total expenditure	**253,405**	264,647	269,610
Excess of revenue over expenditure for the year	**85,314**	61,821	35,697
Surplus at beginning of the year	**480,894**	493,433	414,294
Surplus on debt issues from Province	**–**	–	63,814
Allocations to Clients	**(115,155)**	(74,110)	(19,604)
Appropriation of surplus to capital expenditure	**(549)**	–	(518)
Dividends paid	**(350)**	(250)	(250)
Surplus at end of the year	**$450,154**	$480,894	493,433

1998	1997	1996	1995	1994	1993	1992
1,988,013	1,758,368	1,721,135	1,406,167	1,260,772	1,257,889	1,168,776
652,219	580,138	540,349	419,491	357,620	315,163	292,954
51,231	83,895	146,143	141,622	142,179	149,923	144,778
23,582	22,624	35,185	32,196	30,032	23,613	13,401
44,727	34,964	38,098	30,855	26,303	25,504	23,210
152,502	139,036	135,991	114,963	107,706	105,817	99,441
15,774	19,779	19,541	26,065	11,192	12,096	3,597
12,500	3,957	7,815	6,181	10,597	2,712	2,349
954	979	997	–	–	–	9
–	–	30	25	11	7	–
2,941,502	2,643,740	2,645,284	2,177,565	1,946,412	1,892,724	1,748,515
2,206,060	1,947,612	1,920,404	1,527,529	1,350,538	1,336,331	1,249,035
232,818	218,275	214,877	189,610	180,064	174,693	163,684
41,234	36,977	38,192	33,578	29,258	25,121	24,013
35,956	20,926	–	5,731	2,826	166	1,130
512	641	747	–	100	100	14,134
10,142	–	–	–	–	–	–
2,526,722	2,224,431	2,174,220	1,756,448	1,562,786	1,536,411	1,451,996
486	357	250	–	–	–	–
–	–	–	–	–	–	–
414,294	418,952	470,814	421,117	383,626	356,313	296,519
2,941,502	2,643,740	2,645,284	2,177,565	1,946,412	1,892,724	1,748,515
186,786	183,374	189,919	177,120	138,208	168,104	178,369
56,596	79,605	73,577	52,641	48,906	49,306	46,878
800	775	756	2,097	2,992	2,940	350
255	255	255	110	150	115	150
101	101	105	103	105	106	110
–	–	–	–	–	–	136
244,538	264,110	264,612	232,071	190,361	220,571	225,993
189,153	187,714	186,172	147,347	134,822	142,454	166,349
5,037	4,688	7,638	3,945	3,662	1,960	1,723
1,298	1,262	1,078	957	954	783	860
186	176	227	135	159	103	8,784
7,644	5,368	11,299	8,248	5,451	6,097	6,342
203,318	199,208	206,414	160,632	145,048	151,397	184,058
41,220	64,902	58,198	71,439	45,313	69,174	41,935
418,952	470,814	421,117	383,626	356,313	296,519	261,984
–	–	20,213	–	–	–	–
(45,499)	(116,407)	(28,214)	(33,698)	(17,750)	(9,255)	(7,353)
(129)	(107)	(250)	–	–	–	–
(250)	(250)	(250)	(250)	(250)	(125)	(47)
414,294	418,952	470,814	421,117	383,626	356,313	296,519

Canadian Dollar Bonds Issued in Canada

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2001 $(000)	INTEREST
21	9.50% Sinking Fund Debentures due December 1, 2002	December 1, 1977	7,000	7,000	Semi-annual June 1 December 1
A23	10% Sinking Fund Debentures due November 15, 2003	November 15, 1978	3,265	3,265	Semi-annual May 15 November 15
33	12.375% Sinking Fund Debentures due June 15, 2003	June 15, 1983	63,300	18,660	Semi-annual June 15 December 15
40/CC	10.125% Debentures due October 23, 2003/2006	October 23, 1986	26,000	26,000	Semi-annual April 23 October 23
50/CL	10.25% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8
53/CN	9.625% Debentures due May 13, 2002	May 13, 1992	55,000	55,000	Semi-annual May 13 November 13
54/CO	8.300% Debentures due January 12, 2003	January 12, 1993	57,300	57,300	Semi-annual January 12 July 12
55/CP	8.000% Serial Debentures due May 12, 2002-2003	May 12, 1993	15,000	3,875	Semi-annual May 12 November 12
	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	same as above
60/CQ	8.500% Debentures due April 12, 2005	April 12, 1995	47,000	45,020	Semi-annual April 12 October 12
61/CR	7.750% Debentures due December 1, 2005	December 1, 1995	350,000	350,000	Semi-annual June 1 December 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Coupon - $1,000 Coupon - $5,000 Coupon - $25,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	Annual deposits 1978-2002	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	Annual deposits 1979-2003	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon - $1,000 Coupon - $25,000 Coupon- $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable except for sinking fund purposes	2002 - 8,690 2003 - 9,970	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Callable at par on or after October 23, 2003	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	2002 - 1,875 2003 - 2,000	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
same as above	Non-callable	None	N/A	
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6

Canadian Dollar Bonds Issued in Canada

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2001 $(000)	INTEREST
62	6.20% Debentures due December 1, 2005	December 1, 1995	134	14	Semi-annual June 1 December 1
64/CS	7.25% Debentures due September 25, 2006	September 25, 1996/2001	121,000	121,000	Semi-annual March 25 September 25
65/CT	6.75% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24
66/CU	5.000 - 5.625% Serial Debentures due November 5, 2002 - 2006	November 5, 1997	75,000	45,682	Semi-annual May 5 November 5
	5.625% Debentures due November 5, 2007	November 5, 1997	60,000	60,000	same as above
68/CV	5.250 - 5.500% Serial Debentures due March 24, 2002 - 2007	March 24, 1998	86,642	68,222	Semi-annual March 24 September 24
	5.500% Debentures due March 24, 2008	March 24, 1998	336,000	336,000	same as above
70/CW	5.25% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1
74/CX	5.90% Debentures due June 1, 2011	April 4, 2001	331,800	331,800	Semi-annual June 1 December 1
76/CY	2.337% Debentures due November 8, 2002	November 8, 2001	19,500	19,500	Semi-annual May 8 November 8
800	4.750% Debentures due September 1, 2004	September 1, 1999	122	122	Annual September 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	2002 - 8,226 2003 - 8,647 2004 - 9,101 2005 - 9,590 2006 - 10,118	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	
Registered at CDS. Book entry only.	Non-callable	2002 - 9,941 2003 - 10,462 2004 - 11,024 2005 - 11,616 2006 - 12,253	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6

Canadian Dollar Bonds Issued in Europe

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2001 $(000)	INTEREST
56/EC	7.250% Bonds due November 19, 2003	November 19, 1993	98,000	98,000	Annual November 19
58/ED	8.500% Bonds due May 10, 2004	May 10, 1994	91,000	91,000	Annual May 10

U.S. Dollar Bonds Issued in the United States of America

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED U.S. $(000)	OUTSTANDING DECEMBER 31, 2001 U.S. $(000)	INTEREST
22	9.375% Sinking Fund Debentures due June 1, 2003	June 1, 1978	4,737	872	Semi-annual June 1 December 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	PRINCIPAL PAYING AGENT/TRUSTEE/ STOCK EXCHANGE LISTING
Coupon - $1,000 Coupon - $10,000 Coupon- $100,000	Non-callable except upon imposition of withholding taxes	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg
Coupon - $1,000 Coupon - $10,000	Non-callable	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg

DENOMINATIONS	CALL	SINKING FUND NEXT 5 YEARS U.S. $(000)	AUTHENTICATING AND PAYING AGENT
Fully registered U.S. $1,000 and multiples thereof	Non-callable except for sinking fund purposes. Optional redemption - Tenders may be called from all holders	2002 - 416 2003 - 456	Bank of New York 15 Broad Street New York, NY 10005

Auditors' Report 2001

To the Unitholders of the Municipal Finance Authority of British Columbia Pooled Investment Funds

We have audited the statements of net assets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2001, and the statements of operations and unitholders' equity and changes in net assets of each of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 2001, and the results of their operations and the changes in their net assets for the year then ended in accordance with the accounting principles as described in Note 1 to the financial statements.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 8, 2002

Statements of Net Assets

DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
ASSETS								
Cash and cash equivalents	**$27**	48	**21**	52	**40**	90	**88**	190
Investments (Schedules 1, 2 and 3)	**680,171**	555,800	**167,125**	70,980	**171,975**	122,224	**1,019,271**	749,004
	680,198	555,848	**167,146**	71,032	**172,015**	122,314	**1,019,359**	749,194
LIABILITIES								
Accrued management fees	**89**	75	**26**	12	**30**	20	**145**	107
Unitholder payable	**183**	–	–	–	–	–	**183**	–
	272	75	**26**	12	**30**	20	**328**	107
NET ASSETS AND UNITHOLDERS' EQUITY	**$679,926**	555,773	**167,120**	71,020	**171,985**	122,294	**1,019,031**	749,087

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Operations and Unitholders' Equity

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
INVESTMENT INCOME								
Interest income	**$29,029**	30,193	**4,395**	3,056	**7,662**	7,437	**41,086**	40,686
Less management fees	**967**	807	**205**	124	**302**	234	**1,474**	1,165
	28,062	29,386	**4,190**	2,932	**7,360**	7,203	**39,612**	39,521
GAIN (LOSS) ON INVESTMENTS								
Net realized gain (loss)	–	–	**2,197**	35	**2,482**	(1,494)	**4,679**	(1,459)
Net unrealized gain	–	–	**700**	660	**2,743**	3,452	**3,443**	4,112
Net gain on investments	–	–	**2,897**	695	**5,225**	1,958	**8,122**	2,653
NET EARNINGS DISTRIBUTED	**$28,062**	29,386	**7,087**	3,627	**12,585**	9,161	**47,734**	42,174
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	**$555,773**	478,519	**71,020**	53,022	**122,294**	127,546	**749,087**	659,087
Units subscribed	**1,385,927**	1,119,176	**112,354**	24,204	**82,210**	26,546	**1,580,491**	1,169,926
Distributions reinvested	**28,062**	29,386	**7,087**	3,627	**12,585**	9,161	**47,734**	42,174
Units redeemed	**(1,289,836)**	(1,071,308)	**(23,341)**	(9,833)	**(45,104)**	(40,959)	**(1,358,281)**	(1,122,100)
Units outstanding, end of the year	**$679,926**	555,773	**167,120**	71,020	**171,985**	122,294	**1,019,031**	749,087

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Changes in Net Assets

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE BOND FUND		BOND FUND		TOTAL	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
NET ASSETS, BEGINNING OF THE YEAR	**$555,773**	478,519	**71,020**	53,022	**122,294**	127,546	**749,087**	659,087
Changes during the year due to:								
Operations:								
Net investment income	**28,062**	29,386	**4,190**	2,932	**7,360**	7,203	**39,612**	39,521
Net gain on investments	**–**	–	**2,897**	695	**5,225**	1,958	**8,122**	2,653
	28,062	29,386	**7,087**	3,627	**12,585**	9,161	**47,734**	42,174
Unit transactions:								
Subscriptions	**1,385,927**	1,119,176	**112,354**	24,204	**82,210**	26,546	**1,580,491**	1,169,926
Redemptions	**(1,289,836)**	(1,071,308)	**(23,341)**	(9,833)	**(45,104)**	(40,959)	**(1,358,281)**	(1,122,100)
	96,091	47,868	**89,013**	14,371	**37,106**	(14,413)	**222,210**	47,826
Distributions to unitholders:								
From investment income	**(28,062)**	(29,386)	**(4,190)**	(2,932)	**(7,360)**	(7,203)	**(39,612)**	(39,521)
From gain on investments	**–**	–	**(2,897)**	(695)	**(5,225)**	(1,958)	**(8,122)**	(2,653)
Distributions reinvested	**28,062**	29,386	**7,087**	3,627	**12,585**	9,161	**47,734**	42,174
	–	–	**–**	–	**–**	–	**–**	–
NET ASSETS, END OF THE YEAR	**$679,926**	555,773	**167,120**	71,020	**171,985**	122,294	**1,019,031**	749,087
CHANGES IN INVESTMENT PORTFOLIO:								
Investments at beginning of year	**$555,800**	471,180	**70,980**	54,977	**122,224**	127,521	**749,004**	653,678
Accretion of discounts	**30,566**	29,335	**4,194**	3,367	**9,143**	4,320	**43,903**	37,022
Change in accrued interest	**(1,063)**	265	**894**	66	**1,059**	(348)	**890**	(17)
Investments purchased	**7,465,178**	8,235,280	**775,922**	377,754	**700,817**	639,856	**8,941,917**	9,252,890
Net realized gain (loss) on investments sold	**–**	–	**2,197**	35	**2,482**	(1,494)	**4,679**	(1,459)
	8,050,481	8,736,060	**854,187**	436,199	**835,725**	769,855	**9,740,393**	9,942,114
Proceeds on investments matured or sold	**(7,370,310)**	(8,180,260)	**(687,062)**	(365,219)	**(663,750)**	(647,631)	**(8,721,122)**	(9,193,110)
Investments at end of year	**$680,171**	555,800	**167,125**	70,980	**171,975**	122,224	**1,019,271**	749,004

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

DECEMBER 31, 2001

1. Basis of presentation

The Pooled Investment Funds are established by and operate under Section 13.1 of the Municipal Finance Authority Act (the "Act"). Three funds are maintained:

(a) Money Market Fund which commenced operations on May 1, 1989;

(b) Intermediate Fund which commenced operations on March 25, 1994; and

(c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata, with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

The financial statements have been prepared by management in accordance with the following significant accounting policies that are generally accepted in the investment fund industry:

MONEY MARKET FUND

(a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value except the investments may be marked to market value at the discretion of the Board of Trustees of the Authority should the yield on the net assets of the fund vary by more than 100 basis points from the market yield on Government of Canada 30-day treasury bills.

(b) Interest income is recognized as earned.

(c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND / BOND FUND

(a) Investments are carried at market values which are determined as follows:
- Bonds and debentures – at the quoted mid-market value
- Treasury bills, short-term notes, etc. – at amortized cost which approximates market value for the Bond Fund and at mid-market value for Intermediate Fund.

(b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.

(c) Interest income is recognized as earned.

(d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

(f) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

2. Comparative figures

Certain 2000 comparative figures have been reclassified to conform with the financial presentation for the current year.

(Schedule 1)

Pooled Investments

Money Market Fund – Schedule of Investments

DECEMBER 31, 2001

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	COST	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bill	March 14, 2002	83,700	83,283	
	Canada Treasury Bill	March 28, 2002	255,550	254,355	
	Canada Treasury Bill	April 11, 2002	68,560	68,089	
			407,810	405,727	59.65
Bankers' Acceptance	HongKong Canada Bank	February 6, 2002	8,900	8,881	1.31
Discount Commercial Paper	Associates Capital	February 5, 2002	7,300	7,285	
	Associates Capital	March 13, 2002	10,900	10,854	
	Associates Capital	March 14, 2002	5,600	5,576	
	Associates Capital	March 18, 2002	10,200	10,155	
	Cadbury Beverages Canada	January 17, 2002	6,000	5,992	
	Credit Union British Columbia	March 1, 2002	14,000	13,950	
	Credit Union British Columbia	March 8, 2002	20,000	19,921	
	Diversified Trust	January 30, 2002	5,000	4,984	
	Diversified Trust	February 4, 2002	3,800	3,791	
	Diversified Trust	February 20, 2002	4,600	4,586	
	Diversified Trust	March 11, 2002	3,000	2,988	
	Diversified Trust	March 12, 2002	10,000	9,959	
	Enbridge Pipeline Inc.	March 13, 2002	20,000	19,917	
	Foothills Pipelines Limited	February 11, 2002	18,000	17,955	
	Gaz Metropolitan Inc.	January 22, 2002	13,000	12,977	
	Gaz Metropolitan Inc.	March 11, 2002	2,200	2,191	
	General Electric Capital Canada	January 18, 2002	1,250	1,248	
	General Electric Capital Canada	February 5, 2002	4,000	3,992	
	General Electric Capital Canada	February 22, 2002	1,750	1,745	
	General Electric Capital Canada	March 12, 2002	20,000	19,918	
	General Electric Capital Canada	April 1, 2002	1,850	1,840	
	Honda Canada Finance	January 30, 2002	13,400	13,375	
	Household Finance Corp.	April 3, 2002	19,300	19,197	
	Hydro One Inc.	March 11, 2002	6,500	6,473	
	Summit Trust	January 30, 2002	5,000	4,984	
	Summit Trust	February 7, 2002	10,300	10,277	
	Summit Trust	February 20, 2002	3,150	3,140	
	Summit Trust	March 7, 2002	6,900	6,873	
	Toyota Credit Canada	March 14, 2002	8,500	8,464	
	Trans Mountain Pipeline	March 11, 2002	11,000	10,956	
			266,500	265,563	39.04
TOTAL INVESTMENTS PORTFOLIO			683,210	680,171	100.00

(Schedule 2)

Pooled Investments

Intermediate Fund – Schedule of Investments

DECEMBER 31, 2001

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bills	June 20, 2002	33,900	33,590	
	Canada Treasury Bills	August 15, 2002	1,000	988	
	Canada Treasury Bills	September 12, 2002	7,650	7,542	
Total Short Term Investments			42,550	42,120	25.20
CANADIAN BONDS:					
Federal Bonds	Government of Canada	June 1, 2003	71,950	75,378	45.10
Corporate Bonds	Associates Capital	September 3, 2002	5,245	5,469	
	Bank of Montreal	August 27, 2007	1,375	1,432	
	Bank of Montreal	May 1, 2002	3,700	3,862	
	GMAC of Canada	August 16, 2002	5,000	5,219	
	Hollis Receivables Term Trust	September 23, 2002	5,000	5,220	
	Household Finance Corp.	September 3, 2002	331	346	
	Master Credit Card Trust	August 21, 2002	5,000	5,218	
	New Brunswick Telephone	June 15, 2002	4,000	4,158	
	NIF-T CL A-1 SNR MTN Series 2001	September 23, 2002	5,000	5,094	
	Royal Bank of Canada	September 3, 2007	7,000	7,276	
	Transcanada Pipelines Ltd.	October 21, 2002	1,085	1,157	
	York Receivables Trust II	October 21, 2002	5,000	5,176	
			47,736	49,627	29.70
Total Canadian Bonds			119,686	125,005	74.80
TOTAL INVESTMENTS PORTFOLIO			162,236	167,125	100.00

(Schedule 3)

Pooled Investments

Bond Fund – Schedule of Investments

DECEMBER 31, 2001

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Bankers' Acceptance	Toronto Dominion Bank	January 3, 2002	6,250	6,249	3.63
MEDIUM TERM NOTES	Aliant Telecom	October 15, 2004	2,130	2,269	
	Associates Capital Corp	November 15, 2004	7,510	7,437	
	Bell Canada	December 1, 2003	3,400	3,581	
	Bell Canada	May 9, 2005	1,495	1,600	
	Farm Credit Corp.	February 15, 2004	6,670	6,886	
	Hydro Quebec	June 1, 2004	6,480	7,017	
	Royal Bank of Canada	August 15, 2010	3,645	3,945	
	Royal Bank of Canada	February 13, 2011	1,000	1,048	
			32,330	33,783	19.64
CANADIAN BONDS					
Federal Bonds	Government of Canada	September 1, 2004	19,905	20,856	
	Government of Canada	December 1, 2004	10,050	11,522	
	Government of Canada	September 1, 2005	17,800	19,206	
	Government of Canada	September 1, 2006	9,140	9,742	
			56,895	61,326	35.66
Provincial Bonds	Province of Alberta	December 1, 2004	4,110	4,327	
	Province of Quebec	December 1, 2005	4,450	4,787	
			8,560	9,114	5.30
Corporate Bonds	Bank of Montreal	December 1, 2008	3,000	3,135	
	Bank of Montreal	September 13, 2010	1,365	1,590	
	Canadian Imperial Bank of Commerce	October 21, 2009	3,430	3,687	
	General Motors Acceptance Corp.	February 2, 2004	5,220	5,478	
	Household Finance Corp.	April 11, 2005	2,495	2,598	
	Household Finance Corp.	December 1, 2006	2,600	2,597	
	Royal Bank of Canada	April 12, 2009	2,175	2,275	
	Sears Canada	December 15, 2004	3,590	3,709	
	Toronto Dominion Bank	April 14, 2010	6,340	6,837	
	WestCoast Energy	November 15, 2004	1,135	1,309	
			31,350	33,215	19.32
Total Canadian Bonds			96,805	103,655	60.28
ASSET BACKED:					
Mortgaged Backed - NHA	Pool # 97000962	March 1, 2003	19,230	12,571	
Mortgage Backed - Conventional	Hollis Receivables Term Trust	April 26, 2006	4,970	5,180	
	Master Credit Card Trust	November 21, 2003	4,215	4,415	
	Score Trust	November 15, 2006	2,905	2,931	
Total Asset Backed			31,320	25,097	14.59
MORTGAGES:					
CMHC Insured Mortgages	Penmor	November 1, 2006	518	528	
	Penmor Mortgage # 1865F	June 15, 2002	223	228	
	Penmor Mortgage # 1924W	September 1, 2004	860	895	
	Penmor Mortgage # 1995 - OJ	November 1, 2003	292	303	
NHA Insured Mortgages	Penmor Loan #2341-OW	December 1, 2006	638	642	
Total Mortgages			2,531	2,596	1.51
CANADIAN PREFERRED STOCKS:					
Perpetual	MacKenzie Income Trust, Class A Pfd.		84	595	0.35
TOTAL INVESTMENTS PORTFOLIO			$169,320	171,975	100.00

Auditors' Report 2001

To the Members of the Municipal Finance Authority of British Columbia

We have audited the balance sheet of the Interim Financing and Leasing Funds of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2001, and the statements of revenue, expenditure and surplus and cash flows of the Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Interim Financing and Leasing Funds of the Authority as at December 31, 2001, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 8, 2002

Balance Sheet

DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS	2001	2000
ASSETS		
Cash and cash equivalents	$140	94
Loans receivable - including accrued interest (Note 2)	263,522	147,265
Unamortized contractor costs (Note 3)	265	298
Total assets	$263,927	147,657
LIABILITIES AND SURPLUS		
Bank loan payable – including accrued interest (Note 4)	$263,505	147,432
Management fees payable	140	94
Contractor fees payable	3	4
Total liabilities	263,648	147,530
Surplus appropriated for future expenditures	150	–
Surplus unappropriated	129	127
Total liabilities and surplus	$263,927	147,657

Statement of Revenue, Expenditure and Surplus

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS	2001	2000
REVENUE		
Interest	$9,165	9,144
EXPENDITURE		
Interest	8,617	8,858
Management fees (Note 5)	239	177
Amortization of contractor costs	92	68
Office	52	24
Bank charges	13	15
Total expenditure	9,013	9,142
Excess of revenue over expenditure for the year	152	2
Surplus at the beginning of the year	127	125
Surplus appropriated for future expenditures	(150)	–
Surplus at the end of the year	$129	127

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 2001 – WITH COMPARATIVE FIGURES FOR 2000

THOUSANDS OF DOLLARS	2001	2000
OPERATING ACTIVITIES		
Excess of revenue over expenditure for the year	**$152**	2
Add (deduct) non-cash items:		
Amortization of contractor costs	**92**	68
Contractor costs paid	**(60)**	(252)
Change in management fees payable	**45**	(6)
Cash provided by (applied to) operating activities	**229**	(188)
FINANCING ACTIVITIES		
Increase in bank loan	**116,073**	17,769
Loans repaid	**254,343**	114,880
New loans issued	**(370,599)**	(132,465)
Other	**–**	(33)
Cash provided by (applied to) financing activities	**(183)**	151
Increase (decrease) in cash	**46**	(37)
Cash and cash equivalents, beginning of the year	**94**	131
Cash and cash equivalents, end of the year	**$140**	94

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

DECEMBER 31, 2001

1. Basis of presentation

The interim financing program was established in 1990 and is operated by the Municipal Finance Authority of British Columbia (the "Authority") under Section 9.1 of the Municipal Finance Authority Act (the "Act"). In 1992, the Act was amended to extend the interim financing program to other public institutions (as defined) in the Province of British Columbia.

INTERIM FINANCING FUND

This program provides a revolving credit facility for tax revenue, interim funding requirements and temporary financing of capital projects.

LEASING FUND

This program provides a revolving credit facility for funding the short term leasing of capital assets.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

(a) Interest income is recognized as earned;

(b) Interest payable is accrued on a daily basis; and

(c) The Authority may appropriate surplus for current or future operations.

2. Loans receivable

The loans receivable relate to loans for the following purposes:

Thousands of dollars	**2001**	2000
INTERIM FINANCING FUND		
Temporary financing of capital projects	**$177,546**	71,850
Short term capital borrowing	**32,370**	26,836
	209,916	98,686
POOLED LEASING FUND		
Short term leases of capital equipment	**53,606**	48,579
COMBINED TOTAL	**$263,522**	147,265

In order to protect the Authority from interest rate exposure, all lessees are to settle any surplus or deficiency on payments made to the Authority over the life of the lease at the final lease payment.

Included in Temporary financing of capital project is $64,765,765 (2000 – $56,632,714) of loans receivable from the Capital Financing – Debt Fund relating to the refinancing of certain Capital Financing debt issues. During the year $3,562,202 (2000 – $3,245,265) was received in interest on these loans. Also included in Temporary financing of capital projects is $95,408,468 (2000 – NIL) of loans receivable from the Capital Financing – Debt Fund relating to the purchases of securities. During the year $1,065,579 (2000 – NIL) was received in interest on these loans.

3. Unamortized contractor costs

Under the leasing program the Authority incurs up front fees payable to On-Line Finance (the "contractor"), of 25 basis points (.25 of 1%) of the present value of the future lease payments due. This fee is payable at the time the lease is signed. This present value amount is then amortized over the life of the lease. The balance sheet item is the accumulation of the present value of those amounts paid less what has been amortized to date. In the event of an early payout by the lessee, the appropriate amount of the fee is refunded by the contractor to the Authority.

4. Bank loan payable

The Authority has an agreement under which the bank provides a revolving credit facility for the interim financing and leasing requirements subject to repayment within 30 days following demand by the bank.

Thousands of dollars	**2001**	2000
INTERIM FINANCING FUND		
Funding for revenue anticipation (tax revenue), interim funding requirements and temporary funding of capital	**$209,899**	98,675
LEASING FUND		
Funding the leasing of capital assets	**53,606**	48,757
COMBINED TOTAL	**$263,505**	147,432

5. Management fees

The management fees are paid to the Operating Fund of the Authority.

6. Supplemental cash flow information

During the year the Funds received interest payments of $2,716,838 (2000 – $2,714,529) on lease receivables and $6,430,467 (2000 – $6,078,922) on temporary financing/short term capital loans receivable.

During the year the Funds made interest payments $8,578,378 (2000 – $8,489,207) on the bank loan.